

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION

OCTOBER 17, 1995

BE IT REMEMBERED that the following proceedings
were had before me, RUTH GRISSMAN, Court Reporter, on
Tuesday, October 17, 1995, at the Hammond Civic Center,
5825 Sohl Avenue, Hammond, Indiana.

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ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

DAVID E. ROSS, JR., M.D.

JOHN J. THAR, Executive Director

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INDIANA GAMING COMMISSION
REGULAR BUSINESS MEETING

October 17, 1995

Commencing at 10:15 a.m.

1 MR. KLINEMAN: The meeting of the Indiana Gaming
2 Commission will come to order. First, I think I want to
3 say a word about the hospitality that we are being shown up
4 here in Lake County in Hammond and East Chicago. We had an
5 occasion to tour the sites yesterday, and it was a
6 beautiful day. And I'm glad you ordered the weather for us
7 because we enjoyed the tour thoroughly. As has been the
8 practice of this Commission, rather than staying in
9 Indianapolis when we are in the process of hearing
10 applicants for licenses, we go to the localities where the
11 licenses will in fact exist in order to get a full picture
12 of what needs to be done and what can be done. So we are
13 here in Hammond today, and we will be in East Chicago later
14 in the week. And we are pleased to be here and want to
15 thank all of those people here in Lake County who have
16 helped arrange for our meeting here.

17 The first item is a regular business meeting. We will
18 then go into the presentations and the other things which
19 we have scheduled. So the business meeting will take place
20 presently, and we'll go into the rest of the activities for
21 these days that we're up here.

22 First, let the record show that all of the
23 Commissioners are here, and we therefore have a quorum.
24 And the first item on our agenda is the approval of two
25 sets of minutes. The minutes of the September 8 meeting

1 which was held in Indianapolis; do all the Commissioners
2 have copies of those minutes?

3 (Commissioners responded
4 simultaneously.)

5 MR. KLINEMAN: Do I hear a motion to approve the
6 minutes of September 8, 1995?

7 MR. SUNDWICK: I'll move.

8 MR. KLINEMAN: It's been moved by Mr. Sundwick.
9 Is there a second?

10 MR. MILCAREK: I'll second.

11 MR. KLINEMAN: Second by Tom Milcarek. Is there
12 any discussion? Hearing none, all those in favor of the
13 approval of the minutes say aye.

14 (Commissioners said aye.)

15 MR. KLINEMAN: Contrary?

16 (No response.)

17 MR. KLINEMAN: The ayes have it, and the minutes
18 are approved. The next set of minutes are for the meeting
19 of October 10, which was a telephonic meeting concerning
20 the approval of certain proposed rules. You have copies of
21 those minutes?

22 (Commissioners responded
23 simultaneously.)

24 MR. KLINEMAN: Is there a motion to approve the
25 minutes of October 10, 1995?

1 MR. SWAN: I'll move.

2 MR. KLINEMAN: Moved by Mr. Swan. Is there a
3 second?

4 DR. ROSS: Second.

5 MR. KLINEMAN: Seconded by Dr. Ross. Any further
6 discussion?

7 (Discussion was held off the
8 record.)

9 MR. KLINEMAN: Okay. Commissioner Vowels is
10 going to abstain from the approval because he did not
11 participate in that telephone conference call. All those
12 in favor say aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: The minutes are approved. We are
17 now ready for the report of Mr. Thar, the Executive
18 Director, of the activities since we last got together.
19 Mr. Thar.

20 MR. THAR: Thank you, Mr. Chairman and members of
21 the Commission. I'm going to try to keep this report
22 brief. The first item is concerning applicants for
23 suppliers' licenses. As of October 13, 1995, the
24 Commission had received 24 applications for suppliers'
25 licenses. Recommendations for the issuance of temporary

1 licenses to some of the applicants will be made during the
2 new business.

3 Secondly, updates on the Certificate of Suitability
4 holders with regard to Gary. As a result of the September
5 29, 1995 deadline, an operational agreement was arrived at
6 between the Trump and Barden organizations. An agreement
7 was reached with the City of Gary to pay 10 million dollars
8 to the City rather than deeding over of the land and a
9 lease back to the developers. The developers have chosen
10 the option of a 5 million dollar payment up front, which
11 payment I've been advised has been made, and the remaining
12 5 million dollars due and owing 90 days after the opening.
13 Under that option, there was to be no interest on the
14 second 5 million dollars.

15 The development agreement between the two developers
16 for the City of Gary is being worked on. The latest report
17 I had was as of Friday, things were progressing. No
18 problems have been reported, and it is anticipated that the
19 agreement should be finalized by the end of the month. The
20 Corp of Engineers permit was being reviewed for signature
21 last week, and it is anticipated that the final permit
22 should issue early this week, if it hasn't already. So
23 significant progress has been made in Gary since September
24 8, 1995.

25 Evansville. The progress being made by both Aztar and

1 the City of Evansville continues to be smooth and
2 productive. The litigation brought by Mr. Mottley was
3 resolved in favor of the defendants, meaning that the
4 administrative law judge dismissed the suit at the
5 conclusion of the plaintiff's case. Indications are that
6 it will not be appealed and that issue is over.

7 It is presently anticipated that the Aztar opening and
8 movement of the boat are on the same schedule as previously
9 reported, which was the movement of the boat in early
10 November and an opening sometime early to mid December.
11 Electronic gaming devices were received by Aztar at Jeff
12 Boat starting October 2, 1995, and were inventoried and
13 commission registration numbers were placed on the machines
14 during the course of delivery of those electronic gaming
15 machines.

16 In Rising Sun, there is really nothing additional to
17 report beyond what was reported on September 8, 1995. In
18 Lawrenceburg, Indiana Gaming Company also remains as
19 reported on September 8, 1995, with the primary update
20 being that the public notice on the Army Corp of Engineers
21 permit application has finally issued.

22 Preparations for opening of the casino boats,
23 primarily focusing on Aztar. Again, the primary focus of
24 the staff remains on the preparation of rules as well as
25 attempting to do as many backgrounds on the suppliers as

1 are necessary to get that boat open.

2 The final item is with hiring. Most of the Commission
3 members had an opportunity to meet Janine Hooley yesterday.
4 Janine, nobody escapes us. You're going to have to stand
5 up so people know who they're dealing with.

6 (Ms. Hooley stood briefly.)

7 MR. THAR: Janine Hooley has been hired by the
8 Indiana Gaming Commission as the public relations, slash,
9 legislative liaison person, which means all future phone
10 calls are to be directed to Janine Hooley. That would
11 conclude my report, Mr. Chairman, members of the
12 Commission. Are there any questions?

13 MR. KLINEMAN: Any questions of Mr. Thar?

14 (Discussion was held off the
15 record.)

16 MR. KLINEMAN: Yes, there is an echo, at least up
17 here. I don't know if it is out in the audience or not,
18 but there is an echo. It must be because the mic --

19 MS. BOCHNOWSKI: It's probably because when we're
20 listening to the -- well, so that's fine.

21 MR. KLINEMAN: Okay. Well, hearing no questions
22 for Mr. Thar, thank you for the report and thank you for
23 the -- thank the staff for all the work that's been done in
24 the past month.

25 There are no items of old business. New business: We

1 have requests to withdraw as applicants for Indiana
2 Riverboat Owners' Licenses for the following: One is
3 Player's Michigan City; two is Eldorado Riverboat, LLC;
4 three is Jackpot Indiana Riverboat; and four is Harrah's
5 Southern Indiana Riverboat. Also, there's an item of a
6 withdrawal, I think, for Grand Casinos, Inc. You want to
7 present these matters to us, Mr. Thar?

8 MR. THAR: Yes, Mr. Chairman. Do you want to
9 take them as a group?

10 MR. KLINEMAN: Well, I guess we have to take them
11 separately because there are separate resolutions, I
12 believe.

13 MR. THAR: Okay. The first one is with regard to
14 Player's Michigan City, Inc. Player's, who the Commission
15 is familiar with from Evansville, has decided to withdraw
16 as an applicant in Michigan City. They're also in a new
17 business item because they intend to pursue again a license
18 on the Ohio River. So the resolution with regard to
19 Player's simply, in its pertinent part, says -- this is
20 Resolution 1995-30. Section two states very simply: "The
21 request to withdraw the application for Riverboat Owner's
22 License to be docked in Michigan City, LaPorte County,
23 received from Player's Michigan City, Inc., on September 8,
24 1995, is hereby granted effective October 17, 1995." If
25 the Commission disagrees with that, we'll simply change it

1 with pen to "denied." But the resolution before you is No.
2 30, which is drafted to grant the request.

3 MR. KLINEMAN: Okay. We have the Resolution
4 1995-30. You have heard Mr. Thar's report. Any motion to
5 approve Resolution 1995-30?

6 MR. SUNDWICK: I so move.

7 MR. KLINEMAN: Okay. Mr. Sundwick made the
8 motion. Is there a second?

9 MR. MILCAREK: I'll second.

10 MR. KLINEMAN: Mr. Milcarek seconded the motion.
11 Any further discussion? Hearing none, all those in favor
12 say aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: Resolution is approved. Next item
17 is Eldorado Riverboat. Mr. Thar.

18 MR. THAR: Eldorado, Jackpot, Harrah's, and Grand
19 Casino will all fall into the same category. They're all
20 groups that had applied originally for Floyd or Clark
21 County. The referendum down there did not pass. Each of
22 these groups sat basically in limbo with decisions to make
23 as to whether they wanted to go to a different county or
24 wait for a new referendum. These four particular groups
25 have all decided they no longer want to pursue a Riverboat

1 Owner's License nor do they want to pursue the referendum
2 in Clark or Floyd County.

3 So with regard to the first one, it's Resolution
4 1995-31. It pertains to Eldorado Riverboat, Limited
5 Liability Company. Section Two simply states: "The
6 request to withdraw the application for Riverboat Owner's
7 License to be docked in Floyd County, received from
8 Eldorado Limited Liability Company, received on September
9 27, 1995, is hereby granted effective October 17, 1995."

10 MR. KLINEMAN: Okay. This is really a matter of
11 cleaning up our records. These were people who had applied
12 and participated in a previous referendum, and there's
13 going to be an additional referendum in a couple of weeks.
14 And we're just cleaning up the records to see who are real
15 applicants down there because, as you know, we have the
16 provision that all the applicants must share the cost of
17 the referendum. And there's going to be some additional
18 costs with the new referendum coming up, and we needed to
19 know who exactly were going to be active participants. So
20 the Resolution 1995-31 on Eldorado, do I hear a motion to
21 approve this resolution?

22 DR. ROSS: I'll make that motion.

23 MR. KLINEMAN: Okay, Dr. Ross. Is there a
24 second?

25 MR. VOWELS: I'll second.

1 MR. KLINEMAN: Mr. Vowels. Any further
2 discussion? Hearing none, all those in favor say aye.

3 (Commissioners said aye.)

4 MR. KLINEMAN: Contrary?

5 (No response.)

6 MR. KLINEMAN: Resolution 1995-31 is approved.
7 Resolution 1995-32, which is Jackpot, is there a motion to
8 approve that resolution?

9 MR. VOWELS: I'll move.

10 MR. KLINEMAN: Mr. Vowels moves. Is there a
11 second?

12 MR. SUNDWICK: Second.

13 MR. KLINEMAN: Second by Mr. Sundwick. Any
14 further discussion?

15 MS. BOCHNOWSKI: I just have a question. In
16 their letter, they're requesting a refund of their
17 application fee? That does not --

18 MR. THAR: We have advised them -- I personally
19 contacted them by phone and told them our statute prohibits
20 that. They would have to sue us to get that back. They
21 said they understood. We followed up by a formal letter.
22 But they are unable to get their application fee back.

23 MS. BOCHNOWSKI: Thank you.

24 MR. KLINEMAN: Any further discussion? Hearing
25 none, all those in favor say aye.

1 (Commissioners said aye.)

2 MR. KLINEMAN: Contrary?

3 (No response.)

4 MR. KLINEMAN: Resolution 1995-32 is approved.
5 Resolution 1995-33 is Harrah's Southern Indiana Riverboat,
6 LP. Is there a motion to approve that resolution?

7 MR. SWAN: I'll move.

8 MR. KLINEMAN: Moved by Mr. Swan.

9 MR. MILCAREK: Second.

10 MR. KLINEMAN: Seconded by Mr. Milcarek. Any
11 further discussion? Hearing none, all those in favor say
12 aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: Resolution 1995-33 is approved.
17 Resolution 1995-34 deals with Grand Casinos, Inc. Mr.
18 Thar.

19 MR. THAR: Yes. The only reason Grand Casinos is
20 shown differently on the agenda where we show it as "Action
21 concerning Grand Casinos, Inc.," is we had sent a letter to
22 all of the people we had not heard from in Clark and Floyd
23 Counties. At the time we put the agenda together, we had
24 not heard from Grand Casinos. We put them on the agenda
25 the way that they are to determine whether or not a letter

1 be dictated that the staff would recommend that they be
2 considered withdrawn.

3 After the agenda was completed, they did send us a
4 letter, so they're identical to Eldorado, Jackpot, and
5 Harrah's. They've also requested to withdraw as an
6 applicant. And again, that Section Two reads the same as
7 the others, that we have received a request to withdraw
8 from Grand Casinos on October 12. And it is already
9 prepared as it is here, by grant effective October 17.

10 MR. KLINEMAN: Okay. Approve the resolution; is
11 there a motion to approve the resolution?

12 MR. SWAN: Move.

13 MR. KLINEMAN: Move by Mr. Swan. Is there a
14 second?

15 MR. SUNDWICK: Second.

16 MR. KLINEMAN: Seconded by Mr. Sundwick. Any
17 further discussion? All those in favor say aye.

18 (Commissioners said aye.)

19 MR. KLINEMAN: Contrary?

20 (No response.)

21 MR. KLINEMAN: Resolution 1995-34 is approved.
22 Now we have Resolution 1995-35 on New Albany Landing
23 Company, LLC. Mr. Thar, can you tell us about that?

24 MR. THAR: New Albany Landing Company, LLC, was
25 originally 100 percent owned by an individual by the name

1 of Plato Foufas. It is a riverboat application that was
2 transferred to Harrison County some time ago.
3 Subsequently, there have been negotiations between
4 Mr. Foufas and Player's. And to make a long story short,
5 Player's has submitted an extensive amendment to the
6 existing application, which for all practical purposes is a
7 new application, which shows Player's as the 100 percent
8 owner. And they are asking that the amendment would show
9 them as the 100 percent owner and a new project for
10 Harrison County be approved by this Commission.

11 The Resolution captioned 1995-35 explains in Part One
12 and Part Two at the top: "One: Aspen Casino Corporation,
13 Aspen, filed an application for a Riverboat Owner's License
14 in Harrison County in the name of New Albany Landing
15 Company, LLC, New Albany Landing. Two: On September 29,
16 1995, the Commission received a letter requesting approval
17 of the transfer of the ownership of the applicant, New
18 Albany Landing, to Player's International, Inc., Player's."
19 Player's also submitted amendments to the application filed
20 by New Albany Landing, which takes the form of a new
21 application. And the agreement between Player's and Aspen
22 setting forth the terms of the transfer is in the letter, a
23 copy of which is attached. The resolution then defines the
24 scope and the definitions. And then Section Three sets
25 forth the action. It reads as follows: "Section Three:

1 Action under request for amendment. The amendment of the
2 New Albany Landing Company, LLC, application requested by
3 Player's International, wherein the ownership of the
4 applicant will be transferred from Aspen Casino Corporation
5 to Player's International, submitted on September 29, 1995,
6 is hereby" -- and there's a line for either granted or
7 denied, with an effective date for a resolution of today,
8 signature lines for Alan Klineman as the Chair and Donald
9 Vowels as the secretary.

10 From a staff perspective, this amendment will not in
11 any way slow down the process for Harrison and Crawford
12 Counties, as Player's has already been looked at and no
13 investigations are started in those areas. From a
14 competition standpoint, it makes the application of New
15 Albany Landing Company, LLC, a competitive applicant, where
16 it was questionable whether or not they would have been a
17 competitive applicant in the past.

18 The question that has not been presented to this
19 Commission that this resolution does present is this is the
20 first time that a non-competitive application has been
21 taken over 100 percent by a group that makes that
22 application competitive.

23 MR. KLINEMAN: Okay. You've heard the Resolution
24 1995-35. Is there a motion to approve that resolution?

25 MS. BOCHNOWSKI: I would so move.

1 MR. KLINEMAN: Ms. Bochnowski. Is there a
2 second?

3 MR. VOWELS: I'll second.

4 MR. KLINEMAN: Mr. Vowels. Any further
5 discussion or questions?

6 MR. VOWELS: I have a question. Mr. Thar, when
7 we've dealt with these situations before, it appears that
8 one of the essential elements that we've had to consider is
9 the investigative process. And from what you've told us,
10 this will in no way impede the investigation if we grant
11 this; is that correct?

12 MR. THAR: That is correct. No time lines have
13 presently been set by staff or the Commission. Presently,
14 the Commission at the September 8 meeting indicated the
15 final deadlines for the changing of any applications in
16 Harrison, Crawford, Perry, or Switzerland would be accepted
17 at a date not yet set but after the results of the
18 referendum. In terms of the timeliness of this request, it
19 is not the same type of issue faced by the Commission
20 before. This request is plenty early for any of the time
21 lines that they have down the line as they would go with
22 regard to Harrison County. As I indicated, the only
23 difference in this particular one is it's the first time
24 that an application which was not -- it was basically owned
25 by one person. We don't know what would have happened with

1 that application. It's now being purchased basically by an
2 applicant that will make that application competitive.

3 MS. BOCHNOWSKI: I guess I would be in favor of
4 this just because of the advantage to Indiana of having
5 another competitive application. To me that seems like a
6 benefit, especially if there's no real time problem.

7 MR. THAR: There's no time problem.

8 MR. KLINEMAN: Okay. I have the resolution made
9 and seconded. I forgot that we need to amend the
10 resolution to insert the word either "granted" or "denied"
11 in Section Three.

12 MS. BOCHNOWSKI: When I made the motion, I was
13 intending to make it "granted."

14 MR. VOWELS: My second was based upon our
15 telepathy; the same.

16 MR. KLINEMAN: So the motion 1995-35 as it would
17 read now has the word "granted" in Section Three. Any
18 further discussion? Hearing none, all those in favor say
19 aye.

20 (Commissioners said aye.)

21 MR. KLINEMAN: Contrary?

22 (No response.)

23 MR. KLINEMAN: Resolution 1995-35 is approved.
24 Now we have an item of business: Temporary suppliers'
25 licenses. And we have before us Resolution 1995-36, which

1 I think Mr. Hannon is going to tell us a little bit about.

2 MR. HANNON: Yes, Mr. Chairman. We've completed
3 preliminary investigations on the Old Philadelphia Mint, a
4 group out in Haverstown, Pennsylvania that makes tokens and
5 chips; also on the Bud Jones Company out in Las Vegas that
6 makes a variety of materials for games and gaming activity.

7 MR. KLINEMAN: And you recommend to the
8 Commission that we grant temporary suppliers' licenses to
9 those two entities?

10 MR. HANNON: Yes, sir.

11 MR. KLINEMAN: Okay. Is there a motion to adopt
12 Resolution 1995-36 granting temporary suppliers' licenses
13 to Old Philadelphia Mint and Bud Jones Company, Inc.?

14 MR. SUNDWICK: I'll make the motion.

15 MR. KLINEMAN: Made by Mr. Sundwick. Is there is
16 a second?

17 MR. VOWELS: I'll second.

18 MR. KLINEMAN: Second by Mr. Vowels. Any further
19 discussion? Hearing none, all these in favor of Resolution
20 1995-36 say aye.

21 (Commissioners said aye.)

22 MR. KLINEMAN: Contrary?

23 (No response.)

24 MR. KLINEMAN: The resolution is adopted. Next
25 is a resolution granting the Executive Director authority

1 to grant IEP, Limited a temporary suppliers' license.

2 Mr. Hannon, you want to tell us a little bit about that?

3 MR. HANNON: Yes, sir, Mr. Chairman. IEP,
4 Limited is the company who has been contracted to put
5 surveillance cameras on the Aztar boat. Because of the
6 timing involved, we can't get the investigation -- a
7 complete temporary investigation completed to allow for
8 those to be placed on the boat in a timely manner. We'd
9 ask permission for us to be able to conduct a
10 preliminary-preliminary investigation where we feel
11 comfortable, and at that time allow them to place the
12 cameras on board. Both the company and Aztar have agreed
13 that if we thereafter find a problem, they will remove the
14 cameras. The problem is we will not have any of that done
15 before our next meeting, so we'd like for the Executive
16 Director to be able to grant that license once we reach
17 that level of comfort.

18 MR. KLINEMAN: Okay. We have before us
19 Resolution 1995-37, which under certain circumstances
20 grants our Executive Director the authority to issue
21 temporary suppliers' licenses to the company outlined by
22 Mr. Hannon. Attached thereto is a letter from the Casino
23 Aztar, which I think sets forth some of the facts,
24 including that the company has previously been investigated
25 by a number of states. And it's just a matter that we have

1 not completed our investigation, which of course is
2 important to this Commission. But by this resolution, we
3 would not be granting them a license, but just giving Mr.
4 Thar the authority to grant the license under certain
5 circumstances.

6 MR. SWAN: Move to approve, sir.

7 MR. KLINEMAN: Beg pardon?

8 MR. SWAN: Move to approve.

9 MR. KLINEMAN: Move by Mr. Swan. Is there a
10 second?

11 MR. VOWELS: I'll second.

12 MR. KLINEMAN: Second by Mr. Vowels. Any further
13 discussion of Resolution 1995-37? Hearing none, all those
14 in favor say aye.

15 (Commissioners said aye.)

16 MR. KLINEMAN: Contrary?

17 (No response.)

18 MR. KLINEMAN: Resolution 1995-37 is adopted.
19 That brings us to items of other business. Is there
20 anything else that should come before the Commission, any
21 member or Mr. Thar?

22 MR. THAR: No. Only the resolution we just did
23 would have been the other business.

24 MR. KLINEMAN: I'm sorry?

25 MR. THAR: We have concluded the other business

1 with that resolution.

2 MR. KLINEMAN: Okay. I guess we will be
3 announcing our next meeting at the conclusion of the
4 application hearings, which will be sometime in the latter
5 part of this week, at which time we will set another
6 meeting. And we will -- I guess at this point we would
7 take a very short recess in order for the applicant Bally's
8 Indiana, LP, to get ready for their presentation.

9 (Discussion was held off the
10 record among Commission
11 members.)

12 MR. KLINEMAN: Are we in recess or should we
13 adjourn? Anybody have any idea what we should do?

14 MR. THAR: We should adjourn the business meeting
15 and then start the public hearings.

16 MR. KLINEMAN: Okay; all right. Then with that,
17 the Chair would entertain a motion to adjourn the business
18 meeting, and we will then go into the presentation phase.
19 Is there a motion to adjourn?

20 MR. SUNDWICK: I move.

21 MR. KLINEMAN: Okay; Mr. Sundwick moves. Is
22 there a second?

23 MR. MILCAREK: Second.

24 MR. KLINEMAN: Mr. Milcarek. All in favor say
25 aye.

1 (Commissioners said aye.)

2 MR. KLINEMAN: All right. The meeting is
3 adjourned, and we will reconvene in -- is five minutes
4 enough? Ten minutes? Okay. It's about five minutes of
5 11:00 now.

6 (Recess was taken, and the
7 proceedings reconvened at
8 11:00 a.m.)
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BEFORE THE INDIANA GAMING COMMISSION
OPENING COMMENTS BY THE CITY OF HAMMOND

October 17, 1995

Commencing at 11:00 a.m.

1 MR. KLINEMAN: Excuse me; could we come back to
2 order. The first item on our agenda now is opening remarks
3 from the City of Hammond. Is the Mayor here? I think I
4 saw him earlier. Oh, there you are, Mayor. Welcome.

5 MAYOR DEDELOW: Good morning. It is indeed a
6 pleasure to welcome all of you here to Hammond today. On
7 behalf of the citizens of Hammond, I extend a warm welcome
8 to the members of the Indiana Gaming Commission, gaming
9 applicants, members of the press, business and community
10 leaders, interested citizens. I thank you all for joining
11 us here on this important occasion.

12 This is an exciting era and an exciting moment for
13 Hammond. We've been looking forward to this day for a long
14 time. Hammond is in a period of intense achievement as
15 many projects come to fruition: park renovations, new
16 schools, new roads, new businesses coming to town and
17 hiring our residents, a downtown overpass just finished,
18 and very soon the new federal courthouse as a cornerstone
19 of our downtown revitalization project.

20 And now we are here for two days to focus on the
21 development on the lakefront. With this new project, we
22 continue with our plans for building Hammond's future, and
23 the future looks bright indeed. I want to emphasize that
24 Hammond is looking not only at the lakefront; we are
25 looking at improvements for every neighborhood, every block

1 on every street in this city. Our plan is to make life the
2 best that it can be for everyone who lives and works in
3 Hammond. This opportunity to complete our lakefront
4 development is one piece of our larger plan to secure a
5 prosperous future for our families today and tomorrow.

6 I want to thank each of you who has a role to play in
7 the presentations these two days. I know that a great deal
8 of effort has gone into preparing for this moment, and we
9 appreciate that. For myself, I look forward to sharing
10 with you at the appropriate time our vision for Hammond and
11 how gaming can work with us to achieve our goals. I want
12 to say at the outset, as I will reiterate in our formal
13 presentation, that there are several priorities for us in
14 this new development. Those priorities were not set only
15 by me, but also through a process that included
16 participation from neighborhoods, business, labor, and
17 government.

18 We look forward to the revenue that gaming will bring
19 to our community; but more important than that, it is a new
20 opportunity to achieve the priorities that we have set for
21 ourselves. Let us not delay this proceeding any longer.
22 Let's get on with building Hammond's future. Thank you.

23 MR. KLINEMAN: Thank you, Mayor.
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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY BALLY'S INDIANA, LP

October 17, 1995

Commencing at 11:05 a.m.

1 MR. KLINEMAN: We're ready for the Bally's
2 Indiana, LP presentation.

3 MR. BOYD: Thank you, Mr. Chairman. We would
4 like to open our presentation with a brief video
5 introduction to Bally Entertainment Corporation.

6 (Video presentation was shown
7 at this time.)

8 MR. BOYD: Chairman Klineman, members of the
9 Commission, staff and counsel, I am Jay Boyd of the
10 Indianapolis law firm of McHale, Cook and Welch. My firm
11 and I are proud to represent and be associated with Bally
12 Entertainment Corporation, one of America's leading gaming
13 companies, and with Bally's Indiana, Limited Partnership,
14 the applicant before you today.

15 Bally's is a New York stock exchange company with its
16 corporate headquarters in Chicago near O'Hare Airport. The
17 oldest name in the gaming industry, Bally's has been
18 transformed into a one billion dollar company, now totally
19 focused on gaming, entertainment, and lodging. Bally's
20 competes successfully in the world's two most competitive
21 gaming markets: Atlantic City and Las Vegas. Bally's also
22 operates riverboat casino properties in Mississippi and
23 Louisiana, a casino property in Washington state, and two
24 racetracks in Maryland. The video just shown has given you
25 a glimpse of the people of Bally's, its properties in Las

1 Vegas, Atlantic City, and elsewhere, and the power and
2 excitement of what we call the Bally advantage.

3 What we want to do today is not to look back on
4 Bally's 60 years in the gaming and entertainment industry,
5 but to look forward to Bally's vision to turn the Hammond
6 lakefront into an exciting entertainment destination for
7 northwest Indiana and the Chicagoland region, and to do so
8 in a safe, convenient, and aesthetically pleasing manner.

9 This morning we will demonstrate to you the advantages
10 to the City of Hammond and to the State of Indiana
11 presented by Bally's. The Bally advantage is reflected in
12 the conception and design of the Bally's Lakehouse project.
13 The Bally advantage will be demonstrated by Bally's
14 financial power and it's dynamic work force. The Bally
15 advantage comes to you through the Chicagoland roots of
16 Bally's and the participation in this project of northwest
17 Indiana's premiere construction firm as both a builder and
18 an owner. Bally's also offers a competitive edge to
19 Indiana and its skilled workers through innovation and
20 commitment in marine design and operations. We give you
21 real vision and the resources, experience, and local flavor
22 to make that vision reality.

23 To explain this vision and to demonstrate firsthand
24 the Bally advantage, it is my pleasure to introduce to you
25 my friend Arthur Goldberg, a lawyer by training who

1 practiced in Philadelphia before his successes in business.
2 Arthur is the visionary who has overseen Bally's dramatic
3 growth and financial success in the five years since he
4 assumed control of the company. Arthur is the Chairman,
5 President, and Chief Executive Officer of Bally
6 Entertainment Corporation. Arthur.

7 MR. GOLDBERG: Thank you, Jay. Mr. Chairman,
8 distinguished Commission members, and staff, I always
9 thought that Indiana presented some unique gaming
10 opportunities. None, however, in my opinion, surpassed the
11 challenge and potential of the Hammond market. Frankly, it
12 has only been within the past couple of months that I've
13 really become excited about this project. Until then, we
14 simply felt compelled, out of deference to the City, to
15 constrain our response. We thought it made some sense 12
16 or 18 months ago to go along with the City's plan to build
17 generically. Bally's did not want to stand in the way of
18 the economic upswing that is assured the City of Hammond by
19 this gaming license and business opportunity. But today we
20 believe the real question is: Will the upswing be
21 long-term or short-lived?

22 The fact is the City's plan, although well conceived,
23 has not resulted in early completion of infrastructure
24 necessary to relieve the traffic and other pressures which
25 are certain to occur with a development of this size. As

1 it became more and more unlikely that completion of the
2 road and bridge work would coincide with the license award,
3 it became clear that the so-called advantages of the City's
4 preferred developer's generic plan had become entirely
5 artificial and in fact restrained the potential economic
6 development of the Hammond waterfront. Being the operator
7 with the first boat in the water does not necessarily
8 equate to being the best plan for the City's, region's, and
9 State's economic development and the long-term competitive
10 environment that will surely characterize this northwest
11 Indiana market. Bally's has a plan, Mr. Chairman, that
12 will provide more jobs, greater economic impact, and a
13 sense of civic pride and accomplishment that none of our
14 worthy opponents can offer.

15 But before we present our vision for the Hammond
16 advantage, I must pause and admit to you that on paper, our
17 proposal is, after all, just bricks and mortar, glass and
18 iron, paint and equipment. Bally's Lakehouse, however,
19 will be people -- putting people first, the cornerstone of
20 Bally's success across this great nation. We believe that
21 when you deal fairly with people, employees, customers,
22 vendors, regulators, whoever, integrity and honesty,
23 courtesy and dependability must follow.

24 To amplify this point, I'd like to ask our
25 Vice-President of Governmental Relations and Planning at

1 Bally's Park Place, my partner, Redenia Gilliam-Mosee, to
2 take a few moments and address the quality of our work
3 force and its importance to our corporate character.

4 Redenia.

5 MS. GILLIAM-MOSEE: Good morning. Having been in
6 the Midwest and attended Wilverforce University, I had not
7 had the opportunity to prepare for gaming. However, I'm a
8 city planner by profession. Atlantic city is my home. I
9 grew up there. I made beds and worked as all the other
10 young people did. But the opportunity after graduating
11 from school and from a Master's at Rutger's was the
12 opportunity to return home and see the development of my
13 city. I take those few moments to say that because the
14 credibility which is very important to myself personally is
15 the ability to deliver to communities with a very strong
16 sense of sensitivity.

17 Bally's, when it built its initial property in
18 Atlantic City, is located across from a hospital, a school,
19 and a church. All of those facilities had to continue
20 operating. My job with Bally's as Corporate Vice-President
21 of both Park Place and The Grand is to be involved with the
22 community aspect on external affairs; that means from city
23 council people to working with understanding public policy
24 initiatives to being involved on various boards from JTPA
25 and chairing the Private Industry Council, chairing the

1 local Chamber of Commerce, and being very pleased to see
2 only a block from here the Hammond Boys and Girls Club, of
3 which I have been president of the Atlantic City Boys and
4 Girls Club for thirteen years. I give you that background
5 only to say that our company has supported the kinds of
6 activities that I feel are very important for us to
7 demonstrate corporate commitment. Involved with United Way
8 campaigns, community based organizations, NAACP, the Urban
9 League, our record is just that you pick up a phone, call
10 your counterpart in Atlantic City or any of our
11 communities, and ask them about Bally's.

12 We have employees of over 7,000 in the Atlantic City
13 area, representing 45 percent of minorities and women; and
14 in the upper echelon, two executive vice-presidents who
15 have distinguished themselves in that career.

16 Bally's has allowed me to be a part of understanding,
17 being a city planner by profession, how I am then able to
18 interact with our corporate policy. I have been doing that
19 now for 17 years, and I look forward to answering any
20 questions you have as how we have demonstrated our
21 corporate commitment and what we look forward to bringing
22 here to Hammond in terms of competitive wages, benefits;
23 but more so than that, becoming an active part of our
24 community by being on boards, attending churches, as many
25 of us do as part of our entire livelihood, and welcoming

1 here to this part of Indiana the opportunity for your young
2 people to stay home, to come back home, and to grow with
3 this economic development project. Thank you.

4 MR. KLINEMAN: Thank you.

5 MR. GOLDBERG: Thank you, Redenia. Now,
6 Mr. Chairman, I'm proud to introduce to you the Bally's
7 team that will work with the leadership and community of
8 Hammond on behalf of Bally's and our local partnership to
9 shape our vision for a waterfront project that will
10 succeed, despite competition, instill a sense of renewed
11 civic pride, and guarantee participation by the workers,
12 the residents, and entrepreneurs of this city in a
13 once-in-a-lifetime opportunity.

14 Kim Goluska is an architect and urban planner of
15 unmatched experience and an unyielding dedication to the
16 principle that urban development requires a vision for the
17 future and not simply a solution for the present.

18 Rich Gardner, the President and Chief Executive
19 Officer of Calumet Construction, is clearly a leader in his
20 field and in dealing with the realities of rebuilding
21 America's cities. He is one of Hammond's own, a resident
22 of this area, and we believe he will bring to the Bally's
23 project not only the strength and capabilities of one of
24 this country's foremost builders, but also the insight
25 necessary to fully understand Hammond and its needs.

1 Also, Norman De Jong. Mr. De Jong is our naval
2 architect and has extensive experience in nautical and
3 marine construction. He has been at the forefront of the
4 riverboat construction industry since its inception, and we
5 believe he has an unparalleled understanding and practical
6 knowledge of the shipbuilding industry.

7 I also have with me today our local partners and
8 several of our senior corporate officers from Bally's who
9 will be available for your questions subsequent to our
10 presentation. Kim.

11 MR. GOLUSKA: Thank you, Arthur. What I would
12 like to do now is just take a few moments and share with
13 you the vision of Bally's Lakehouse. Bally's Lakehouse is
14 as much, if not more, about urban development and community
15 building as it is about casino gaming. From my
16 perspective, the opportunity to leverage the growth in
17 gaming and entertainment that's sweeping this country in
18 order to put in place a long-term investment in the
19 portfolio of a community is the real potential that we
20 bring to this project.

21 Therefore, in order to begin crafting an appropriate
22 development for Hammond's lakefront, what we did at the
23 outset was establish four simple objectives. First, the
24 project should provide a symbol of celebration and civic
25 pride for this community, something they can be proud of

1 for centuries and generations to come, something they see
2 as a part of the portfolio of their community. Second, in
3 an increasingly competitive environment, it needs to
4 respond to that competition. And in an increasingly
5 ever-changing marketplace, it needs to stay at the top of
6 the competition. Thirdly, it needs to put in place and
7 create a long-term economic development framework since
8 that's really what this is all about. And finally, there
9 needs to be a sense that this is a long-term investment
10 strategy.

11 As you'll see in here about our projects, over 70
12 percent of the capital investment we're talking about goes
13 into land based development, not into boats that can float
14 away or go to other communities. We want this to be a
15 long-term investment in the community. The slide that's on
16 your right (indicating) gives you and certainly gives me a
17 perspective of where Hammond sits in the Chicago regional
18 marketplace. I think as you look at Hammond from that
19 perspective and realize it's about 15 minutes from downtown
20 Chicago, there are incredible opportunities that I think
21 other communities around the region don't have in front of
22 them.

23 We then set out three planning principles. The first
24 really is to build on the history and legacy of northwest
25 Indiana. I think rather than seeing volcanoes and western

1 themes and theme park type elements, there is a legacy and
2 history in northwest Indiana from world famous restaurants,
3 such as Phil Smidt's right down the street from the site,
4 to the old Maduras Danceland that used to exist right on
5 the site where Benny Goodman, Tommy Dorsey, and other name
6 entertainment played back in the 30's, 40's, and 50's, to
7 the world class quality of recreation that the whole
8 crescent corridor along the shore of Lake Michigan
9 represents, from Route 12 to the Oasis Resort in Michigan
10 City, the old Red Lantern restaurant, The Spa, which still
11 exists in Chesterton today. Northwest Indiana and the
12 crescent corridor really has been for the region a
13 recreational heartplace, and I think that's our intention
14 to reinforce that legacy and build upon that.

15 Second, we want to leverage the existing investment in
16 the marina. The City has put a tremendous investment in
17 the Hammond Marina, and I think it's an opportunity to
18 leverage that and enhance that and increase it. While
19 Hammond is certainly not Baltimore's inner harbor and
20 certainly not Monte Carlo in Europe, clearly there's an
21 opportunity to create an inner harbor character to the
22 scale and appropriate size of Hammond and really create an
23 active and exciting place along the waterfront that people
24 from the region will come to visit as they have in the
25 past.

1 And finally, the third principle is really to position
2 Hammond; Hammond really has a unique position. Many people
3 come across the border to buy cigarettes and gas because of
4 the cheaper tax rate. We'd like to position Hammond really
5 as the gateway to Indiana's Lake Michigan south shore and
6 this whole recreational corridor and really start bringing
7 some economic development back into the State as people use
8 this city and this region as a gateway to the area.

9 While we'd love to claim that the credit for this
10 vision is all ours, it really comes from within the
11 community. Back in 1984, I had the chance to spend time
12 with Congressman Visclosky when he unveiled what he called
13 the Marquette Project. It's really a vision to recapture
14 the south shore of Lake Michigan, much in the spirit and
15 character of Daniel Burns' famous plan for the Chicago
16 lakefront. I was impressed with it then. I was impressed
17 with what the Congressman was able to achieve in terms of
18 recapturing what is really a glorious piece of lakefront.

19 In fact, just recently, back in July, the Robertsdale
20 community completed a study undertaken by the City that
21 specifically looked at riverboat gaming as it came to
22 downtown Hammond. And if you'll look carefully at that
23 study, what you find is they really think of this as --
24 riverboat gaming as really part of a total development
25 plan, rather than merely as a boat and a parking facility.

1 I think this notion from the Robertsdale study speaks well
2 to Congressman Visclosky's earlier vision and certainly the
3 enthusiasm of what the Hammond lakefront could be.

4 I'd also note the slide on the right (indicating)
5 really suggests that, in my opinion, open and undeveloped
6 harborfront does not necessarily achieve an accessible,
7 usable, and open-to-the-public waterfront, as today's
8 conditions at the Hammond waterfront illustrate. A chain
9 link fence and a parking lot does not give public access to
10 the waterfront. People, activity, Baltimore's inner
11 harbor, really shows you how you can get active, exciting
12 waterfronts.

13 Bally's Lakehouse, which I'd like to kind of walk you
14 through briefly -- and the name itself really is suggestive
15 of responding to this heritage and looking beyond that to
16 the future and returning a quality of entertainment to the
17 shores of Lake Michigan and northwest Indiana. Bally's
18 Lakehouse really has four components. First, the casino
19 lake boat, a high quality lakegoing vessel with casino
20 amenities, a full complement of gaming facilities, and a
21 full complement of casino amenities. And you'll hear more
22 about the boat and some unique plans to build the boat in a
23 few moments.

24 The second is what we call the Lakeside Hotel and
25 Conference Center, a 200 room hotel on the lakefront. I

1 think if the slide I showed you of Hammond's position and
2 the harbor's position and relationship to downtown Chicago
3 doesn't convince you, I think if you talk to local business
4 leaders and people who stay in Valparaiso or in Chesterton
5 or down in Merrillville or downtown Chicago instead of here
6 because of a lack of lodging will show you the demand for a
7 hotel in downtown.

8 Also the opportunity for -- I think the World Cup
9 German team, when they came to Chicago, I believe stayed in
10 Merrillville. The opportunity to capture business, capture
11 conference business, convention business, again on a scale
12 and character appropriate to Hammond, is a real opportunity
13 we see with the Lakeside Hotel and Conference Center. The
14 ballroom and entertainment hall, as I mentioned before,
15 you'll see no volcanoes, no pirate ships, but you'll see
16 high quality entertainment much as you saw back at Maduras
17 Danceland. And the notion here is a 55,000 square foot
18 entertainment hall along the waterfront, really drawing
19 from the region, not just Indiana, but certainly Michigan,
20 Chicago, Illinois, as well as from throughout the country,
21 and bring back to the shoreline not Benny Goodman and Tommy
22 Dorsey, but certainly the name entertainment you see
23 appearing at Bally's facilities and entertainment hubs
24 across the country.

25 The final piece of it is the harborfront promenade.

1 It's really an opportunity to take what was proposed as a
2 nine-story garage along the lakefront and put it back on
3 the land side of the harbor and create an edge along it of
4 retail and activities along the harbor. It really was an
5 effort trying to create an inner harbor much like
6 Baltimore's or some of the other great harbors around the
7 country and activate that for the benefit of the marina
8 users, the harbor users, the public, the general public who
9 just want to come down and put their feet in the water, the
10 opportunities for engaging local businesses to put
11 facilities in there rather than bringing them in from the
12 outside area.

13 When you compare the plan -- the site plan here at
14 Bally's Lakehouse with an aerial photograph, you get a
15 little bit better sense of how things fit together. Off to
16 the left of both these slides (indicating) is the bird
17 sanctuary, the migratory bird sanctuary, which is clearly
18 not being impacted by the project. And in fact, there's an
19 opportunity here to enhance that and include some
20 interpretive programs inside the retail along the edge of
21 the harbor and the harborfront promenade.

22 But I think what you find when you compare these two
23 pictures together (indicating), that by resolving the
24 access problem -- and if I could just take a moment and
25 pause with the pointer, if I can do this -- the original

1 intention was to use this three-lane wide road (pointing),
2 about a 30-foot wide road which is between the filtration
3 plant and the harbor, to access the entire 1,200 car
4 parking facility, as proposed in the generic plan. By
5 taking that parking facility and putting it out here
6 (pointing), as we've done, in a three-story, four-level
7 deck, and putting the hotel in the prominent position here
8 (pointing), allowing access to several points along here to
9 segregate marina traffic and gaming-going traffic and
10 freeing up the lakefront really for the quality hotel, much
11 similar to what I talked about earlier, it does several
12 things. It solves what we think is a very difficult access
13 problem by placing the garage on the land side. It also
14 creates, we believe, a far more powerful and aesthetically
15 appropriate design. It also allows us to start creating an
16 inner harbor and responding to Congressman Visclosky's and
17 others' suggestions to really think about the lakefront as
18 a place for the public and a place for activity.

19 And just as Phil Smidt's, if you look at their place
20 cards, has a reputation of being known the world over, we
21 think it's appropriate that that sort of reputation and
22 character should accrue to Hammond from its gaming operator
23 and its gaming development. We'd like this development to
24 be known the world over. We'd like -- similar to Phil
25 Smidt's, Hammond deserves a gaming operator that's known

1 the world over and has a reputation that can bring in name
2 entertainment and quality development.

3 I am personally very proud of this vision. I think
4 it's appropriate for the City of Hammond. I think it's
5 appropriate for the region. I also think it responds
6 directly to what the Commission has set out from the
7 legislation for riverboat gaming in Indiana. However, it
8 requires one other element: local stewardship. Therefore,
9 Bally's sought early on local investors, not for financial
10 wherewithal, but rather to act as community stewards to
11 make certain that this investment is built on time with the
12 quality and character that these area businessmen and civic
13 leaders would be proud to have as part of the community's
14 portfolio.

15 Heading up this group of local investors and local
16 stewards is Rich Gardner of Calumet Construction. I'd like
17 to ask Rich to come up and talk a little bit about the
18 local stewardship and also about the construction schedule.

19 MR. GARDNER: Thank you, Kim. As mentioned
20 earlier, I was raised in Hammond and am a product of the
21 Hammond school systems. I am the president of Calumet
22 Construction Corporation, which was started right here in
23 Hammond by my father over 50 years ago. Since completing
24 military service 25 years ago, I've been totally immersed
25 in northwest Indiana, both in the construction industry and

1 in service to my community. I am standing here today
2 representing Bally's International -- Indiana Limited
3 Partnership, which includes educators and businessmen from
4 right here in northwest Indiana.

5 Bally's approached us seeking a local flag bearer for
6 their project in Indiana. Bally's sought a local steward
7 which would ensure that their project would meet or exceed
8 the expectations that our legislators had down state back
9 when they addressed the subject of gaming here in Indiana.
10 We understand that our legislators passed gaming to provide
11 much needed development for us Hoosiers. Bally's wanted
12 assurance that their facilities here in Hammond would meet
13 or exceed our legislators' goals by providing the most
14 positive impact on our community from an economic, social,
15 and developmental standpoint. Certainly, Bally's wanted
16 our civic representation rather than our investment of
17 money.

18 Now I'd like to introduce Calumet Construction
19 Corporation because it is our mission and our
20 responsibility to design and construct the project that
21 we're presenting before you this morning. We were
22 incorporated approximately 50 years ago here in Hammond and
23 have signed labor agreements with the building and
24 construction trades unions here in northwest Indiana that
25 go back even further than that. We employ in excess of 400

1 union craftspersons. We have in existence active mentor
2 prodigy programs with DBE's here in Hammond, Gary, and
3 Indianapolis. Calumet is listed in Engineering News
4 Record's top 400 contractors. And most important to this
5 project, Calumet is one of only approximately 40 both Alpha
6 and Beta test sites for the Primavera scheduling system,
7 which is by far our industry's most reliable and most
8 utilized scheduling software package.

9 While we at Calumet were establishing the budgeting
10 and scheduling models for this project and in a spirit of
11 providing more jobs here in northwest Indiana, I suggested
12 to Mr. Goldberg that perhaps if we could build the boat
13 right here in northwest Indiana, we could provide more
14 union labor jobs here in our community. I further
15 suggested that perhaps we should discuss this subject with
16 Chicago Bridge and Iron, a firm that my firm has done
17 business with in the past. Mr. Goldberg liked the idea,
18 and Bally's is now working with CB&I to determine if a
19 local construction site for Bally's boat could be
20 established here locally, similar to the site used for the
21 construction of the Elgin boat.

22 To discuss this very, very exciting concept with you
23 further, I would like to introduce Mr. Norman De Jong,
24 Bally's naval architect.

25 MR. DE JONG: Good morning. I was first asked by

1 Bally's to evaluate the proposal that one of the southern
2 shipyards made to Bally's, which was based on the
3 construction time of nine months. I was asked if that was
4 a reasonable and practicable thing to do. We evaluated it
5 and, having the engineering in place, we don't see that
6 there's a problem with that.

7 Then Bally's asked me to look into the possibility of
8 building the vessel on site, and then we really got
9 excited. We've been involved in a lot of projects where
10 vessels were built on site. We designed the Hollywood
11 boats, the City of Lights I and II. We were involved with
12 recently Kenny Rogers' Branson boat. The 240 foot boat was
13 built on site with local people, local craftsmen. We
14 recently completed the expansion of City of Lights I in
15 Aurora on site, working for the second time with Chicago
16 Bridge and Iron Works. We've worked with the Calumet
17 people. We know them. We've seen what the local craftsmen
18 can do, the electricians, the pipe fitters, the iron
19 workers.

20 Quite frankly, in the beginning, we were a little
21 hesitant to think that they could build ships, not being
22 familiar with that part of the industry. We found out over
23 the years, over the last three years, I guess, that the
24 talent is definitely there. It's as good as anyone else,
25 if not better. And quite frankly, I think a project of

1 this size and magnitude should be built locally. We've
2 seen tremendous pride by the people that worked on those
3 projects, local projects, and we're excited to be involved
4 in it. Thank you.

5 MR. GARDNER: Thank you, Norman. You'll notice
6 from the chart on the screen (indicating) that this
7 building of the boat on site, we project that an absolute
8 minimum of 200 additional jobs, full-time construction
9 jobs, will be provided. In addition, over 200 million
10 dollars will be funneled into our local economy through the
11 purchases of goods and services in that endeavor.
12 Obviously, those numbers can be escalated and enhanced upon
13 by the time they turn within our community. We are very
14 excited about this concept and are eager to bring it about.

15 Now I would like to put on my constructor hat. As you
16 can see from the schedule that is shown on the screen
17 (indicating), we are showing all overall schedules, for the
18 construction of the bridge linking Indianapolis Boulevard
19 to the marina, the schedule for Bally's parking garage and
20 promenade, Bally's hotel and convention center, and Bally's
21 boat. Please note that this schedule, along with an
22 expanded version of it, is included in your briefing book
23 for later review.

24 No matter how these schedules are formulated, the
25 critical path does not just run through the bridge; it is

1 the bridge. There's all sorts of ways to put together
2 schedules, but the schedule for this project is the bridge.
3 The completion of the bridge is the single factor
4 controlling when a gaming boat can become operational in
5 Hammond's marina. This is giving the access to the site.
6 There's no other way to get there without the bridge. You
7 will note from the schedules that Calumet can complete the
8 bridge within the same time frame that it would take CB&I
9 to complete a boat. Conversely, it takes the same time to
10 complete the boat as the bridge. They are both on the same
11 time line. We have explored many "what if's" scenarios in
12 an effort to shorten this time frame. We have not been
13 able to do it. There are many constraints, engineering and
14 construction-wise, that dictate this schedule. This
15 schedule is extremely aggressive, but Calumet can and will
16 complete it on time.

17 You'll note also that the parking facilities, the boat
18 boarding facilities can be completed and operational before
19 the bridge can be opened. They are not a constraint on
20 opening the boat. Looking at the schedule further, the
21 finishing work for the hotel and convention center and the
22 tenant finish for the promenade lag behind the completion
23 of the boat, the bridge, parking structure, and the
24 boarding facilities. However, these parts of the project
25 are not a constraint on getting the boat in the water and

1 operational by August 11, 1996.

2 In conclusion, we at Calumet and the other local
3 owners of Bally's Indiana, Limited Partnership are here to
4 assure you that the Bally's boat will have the greatest
5 impact of any of the proposers on the economy and jobs here
6 in northwest Indiana. However, as an added insurance, the
7 Bally corporation itself has already pledged that should
8 the infrastructure be ready for the boat and the boat not
9 be ready itself, they will reimburse the City of Hammond
10 one million dollars a month until the boat becomes
11 operational. We believe that that is insurance that
12 probably will not be needed. We are very excited about
13 this project and are eager to get started on it.

14 MR. GOLDBERG: Thank you. Mr. Chairman, I know
15 that time is of the essence to Mayor Dedelow and all the
16 people of Hammond, and I hope we don't have to pay him a
17 million dollars a month. I would not have so dramatically
18 modified the City's plan and so insisted on a full
19 complement of amenities for this project if I did not
20 believe it was the right thing to do.

21 My company is one of only five companies licensed and
22 operating in the two most regulated and competitive markets
23 in the gaming world: Las Vegas and Atlantic City. We know
24 the importance of full service, of name recognition, and
25 early identification of a project with its customer base.

1 Put another way, both the project and its operator must
2 have an identifiable character and focus. You may hear
3 some skepticism today and tomorrow that Bally's plan will
4 not work or that it will delay the opening of gaming in
5 Hammond, thereby denying much needed revenue to this city.

6 At the same time, we believe you will detect a
7 movement toward the fundamental philosophies that have been
8 the essence of our proposal from day one. That nine-story
9 garage just does not belong on the lakefront, and this
10 project deserves and needs a hotel to compete in this
11 market. We are convinced that our plan will spawn a harbor
12 project to be proud of and not just a gaming dock. I would
13 implore you not to sell out the long-term viability of this
14 license for a mere 60 or 90 days of revenue that may,
15 however remotely, result from licensing a company with a
16 boat already in the water. It's just irrelevant to the
17 ultimate success of this location.

18 Bally's has brought the very best that Indiana has to
19 offer to the development of this project. Calumet
20 Construction knows its business and labor market, and I
21 would suggest that no one has a greater interest in making
22 this work within the time frame set forth today than they
23 do. At the same time, Calumet will not build and forsake
24 safety for speed, nor will they make promises they cannot
25 keep.

1 While we see no time differential in the boat and land
2 based building necessary for safe and well patterned access
3 to the site, I would suggest that the additional local
4 economic and job enhancement of the Chicago Bridge and Iron
5 plan coupled with our vision for Bally's Lakehouse far
6 outweigh the remote benefits of a boat ready but with no
7 place to go. And in trade, the Hammond waterfront will
8 become a standard for gaming, and it will include a 1996
9 model boat complete with the 1996 technology which is now
10 available.

11 Let me just take a few moments to review for you the
12 Bally advantage. Essentially, you can see our point on the
13 name recognition and our commitment to a long-term
14 investment here. The short term is not our interest. The
15 economic benefits which are outlined in your book and which
16 we've outlined before. The 102 million dollar capital
17 investment is an estimate; it might go a little bit more,
18 depending on the boat being built on site. The jobs, the
19 annual attendance, etc., I think are very conservative
20 numbers that we'll have no problem hitting.

21 The Bally advantage is summed up in what I call the
22 three C's: competence, competitiveness, and capital. In
23 terms of competence, all of your Hammond proponents possess
24 the skills and organization to run a gaming facility. None
25 save Bally's has more than 60 years experience in this

1 business or the worldwide name recognition that Bally's
2 brings to this development.

3 You'll see what I mean when we switch to the
4 competitive slide (indicating). If you take a look at that
5 slide, you can see the Bally performance, competing on a
6 boardwalk with eleven other casinos. Bally's has led the
7 industry in margin and in absolute earnings for the last 24
8 months, and actually the growth has been somewhere around
9 13 percent in a competitive environment. Now, if we could
10 take a look at the slide on the Chicago numbers
11 (indicating), you can see when a casino came into the
12 Illinois market with name recognition what happened. They
13 quickly went to number one on the charts, and there was
14 some erosion with some of the other participants.
15 Competition separates and makes competence become very,
16 very viable as an entity in evaluating this proposal.

17 And lastly, capital. Bally's has the ability to write
18 the check. No financing is necessary; no restructuring of
19 funds; no contingencies or supplementations required; no
20 phase one, phase two, phase three. There is a letter from
21 LaSalle National Bank attesting to the current and
22 unrestricted funds available for this project. And we have
23 a copy of a check, the original of which is in my pocket,
24 for the full amount of our investment. That check is ready
25 to be deposited today in the sum of 102 million dollars,

1 and the letter from LaSalle Bank attests to good funds on
2 deposit. That check would clear this afternoon.

3 Thank you, Mr. Chairman, and members of the Commission
4 for your time and attention. Bally's has been in
5 Chicagoland for over 60 years, and we have long employed
6 residents of Indiana and particularly northwest Indiana.
7 You must know by now that I am proud of this plan and our
8 people. We're equally proud to be associated with Hammond
9 and Indiana. And if you allow us to invest in this
10 project, we intend to live up to our commitment to the
11 people of this community that have supported Bally's and
12 our vision. Thank you.

13 MR. KLINEMAN: Thank you, Mr. Goldberg. Does
14 that conclude your presentation?

15 MR. BOYD: That concludes our presentation, Mr.
16 Chairman.

17 MR. KLINEMAN: Okay. Well, thank you. You
18 finished early. That goes to your credit.

19 MR. BOYD: Thank you, sir. That was in our plan.

20 MR. KLINEMAN: Under our schedule, we were to
21 take a lunch break and then come back with questions and
22 answers. Does anyone feel that we should start off now or
23 should we have an early lunch?

24 (Discussion was held off the
25 record among the Commission.)

1 MR. KLINEMAN: It seems to be the consensus of
2 the Commission that we do at this time adjourn for our
3 lunch, give us a little extra early time. Do you want to
4 take more than an hour? Do you want to come back at the
5 scheduled 1:00 time, or do you want to come back earlier
6 than that?

7 (Discussion was held off the
8 record among the Commission.)

9 MR. KLINEMAN: All right. I think we'll just
10 take a little extra lunch break and we'll come back at
11 1:00. That will put us on the same schedule that our
12 outline calls for, and I think that will make things work
13 out better. So we'll be back at 1:00.

14 (Lunch recess was taken at
15 11:45 a.m., and the
16 proceedings resumed at 1:00
17 p.m.)

18 MR. KLINEMAN: I guess we can come back to order.
19 Mr. Boyd, I guess you'll be the moderator for this?

20 MR. BOYD: Under an agreement I've reached with
21 the reporter, Mr. Chairman, I'm going to identify the
22 subject of responses to the questions.

23 MR. KLINEMAN: Well, I'm going to start the
24 questioning off, and I don't know who wishes to respond.
25 We, of course, have a situation where the project and

1 proposal that you submitted in accordance with the
2 deadlines set by this Commission is not the project we see
3 here today. And the project we see here today was first
4 made available in any form to the staff about the middle of
5 September of this year. My question is: When and under
6 what circumstances did you decide to revise, basically
7 completely, your proposal, and what was the thinking that
8 went into it and so forth?

9 MR. BOYD: Mr. Goldberg talked about that this
10 morning. I think Mr. Goluska, Kim Goluska, will embellish
11 on that in some detail as to the rationale for the change
12 in configuration; although the components of the project, I
13 would note for the Commission, are the same as we had
14 originally proposed to the Commission in the earlier
15 filings, and the capital expenditures for the project
16 remain the same. So it is more -- we would cite it as a
17 change of configuration.

18 MR. KLINEMAN: Give us the details. Compare the
19 old with the new. And the time; the time frame is fairly
20 important to this Commission, when these decisions were
21 made.

22 MR. GOLUSKA: Right. The key -- as Mr. Boyd
23 mentioned, the key issue in terms of the difference between
24 this proposal and what was submitted in the original
25 application relates to the positioning of the hotel and the

1 parking garage. All of the building components, the
2 garage, the hotel, the size of the gaming facility, are all
3 identical to the original submittal, both in terms of scope
4 as well as in terms of capital costs. So all the
5 financials, all the projections, all the property issues,
6 capital costs, remain essentially as they are in that the
7 overall investment of 100 million dollars bottom line
8 remains the same.

9 Essentially, the change -- and if I could step over to
10 the board, the main change from the submittal is taking the
11 generic plan the City put together for the parking garage
12 over here and the hotel over here (indicating), and
13 flipping those two. The intention of that really was
14 primarily driven by our concern, as I indicated on the
15 slides, of not being able to solve the access issues of
16 bringing all your traffic into a garage on the lakefront,
17 in addition to the fact that we just don't feel that kind
18 of solution is appropriate to the site and the opportunity
19 that Hammond has here for a development. So we're really,
20 in very simple terms, from our proposal taking the same
21 size hotel we proposed, putting it -- taking it from this
22 location and putting it over here, taking the garage and
23 putting it over on this side (indicating). All the
24 building components remain the same, as I mentioned. All
25 the capital costs, all the financial projections remain

1 essentially the same as in the proposal.

2 MR. KLINEMAN: And when was it that you decided
3 to make this change, and was it presented to the City when
4 you were thinking about it or does it just come as a
5 surprise?

6 MR. BOYD: Jim Montana, Vice-President and
7 General Counsel for Bally Entertainment Corporation, will
8 respond to this question.

9 MR. MONTANA: The decision was contemporaneous
10 with the awareness on our part that the generic plan that
11 the City had that we were going along with, that there
12 wasn't any need for it anymore because the infrastructure,
13 which was the basis for the generic plan, that is, the
14 overpass, hadn't been started in terms of its construction.
15 And we were at a point where it was apparent that that was
16 not going to happen. When we realized that, we saw that
17 there was no necessity to stay with the generic plan. We
18 began to look at it from our perspective and realized that
19 this was a better plan. That's when we met with -- around
20 the time that we met with Mr. Thar about that subject.

21 MR. SUNDWICK: I'm trying to just understand,
22 because I'm not so familiar with the preliminary plan you
23 changed. The reason you made the change from what you term
24 as the generic plan only has to do -- when that didn't come
25 about in the time frame that you expected, you just said,

1 "Well if that's the case, we can just readjust these
2 facilities around the same geographic location or
3 environment"?

4 MR. MONTANA: Exactly. Two things prompted us.
5 It became apparent that the basis for the generic plan to
6 get the infrastructure done was not going to happen in a
7 timely fashion. It caused us to look at the plan and say,
8 "What would be better?" And that's why we came up with
9 this plan, because this plan we believe is clearly better.

10 MR. SUNDWICK: If in fact they would have started
11 that project, your original plan would have stayed in
12 place, and that would only have been the flip-flop of the
13 hotel and the parking garage?

14 MR. MONTANA: If the City had stuck with their
15 time schedule in terms of the generic plan and the
16 infrastructure and the overpass would have been constructed
17 in a timely fashion, we would have probably stayed with the
18 generic plan. But when it became apparent that that was
19 not going to happen, we looked at it and said, "What's the
20 best thing to do?" This plan seemed to us to be far
21 superior to anything that had been proposed.

22 MR. SUNDWICK: The question is -- and that is a
23 question just to follow up on one -- is that of all the
24 proposals, you're the only one that has a hotel. Whether
25 you have it in one location or the other, you're the only

1 one with a hotel. Why a hotel?

2 MR. GOLUSKA: And you're correct. The proposal
3 has had a hotel in it from day one, as Mr. Goldberg has
4 mentioned. I think the first issue on the hotel is the
5 slide that's on the screen behind me, and it's on hard copy
6 form in front of you in the middle of the stage
7 (indicating). We think the opportunity for creating an
8 inner harbor in downtown Hammond and having a hotel as part
9 of a competitive advantage, if you will, is critical to the
10 success of this project, critical most importantly to the
11 long-term success. We think it's important to the
12 long-term success. We think it's important that there be a
13 long-term land based investment beyond the boat, beyond the
14 parking, something that we feel in our performance can make
15 money and remain as a long-term investment.

16 We think the market from downtown Chicago, from tying
17 into the Chicago Chamber of Commerce of which Hammond is a
18 member, tying into the whole network from Valparaiso,
19 Chesterton, on back to Merrillville and up into Chicago, we
20 think there's a tremendous market for a hotel. Clearly, I
21 think those photos show that this site on Lake Michigan
22 would offer the only lakefront hotel anywhere within 100
23 miles of Chicago. We think that's a unique aspect. We
24 also think it's not really a new idea. The idea of that
25 was part of Maduras Danceland and the old Maduras Hotel,

1 the Oasis Ballroom and a whole series of hotels that used
2 to be along the shoreline of Indiana along this area. So
3 we feel fairly strongly that the hotel has a strong market.

4 I think you also need to recognize Bally's operates, I
5 believe, over 4,500 hotel rooms. They're both owner and
6 operator of over 4,500 hotel rooms. They're also, I think,
7 the second largest convention business user in terms of
8 meetings market in Las Vegas, perhaps the largest in
9 Atlantic City. And I think that expertise lends very
10 strong credibility to the potential for a hotel on this
11 site. Clearly it's the site and location, its proximity to
12 Chicago, that gives it the market.

13 MR. SUNDWICK: That's normally the reverse, I
14 guess. Normally, we're always looking for land based
15 operations, and you're the only one that now proposes one.
16 That's kind of a change for us.

17 MR. GOLUSKA: I think that represents certainly
18 my personal philosophy as well as, I think, Bally's
19 philosophy. I think there -- as you look at the expanse of
20 entertainment and gaming across the country, more
21 importantly, as you look at it coming into downtowns,
22 whether it's Hammond or Boston or Chicago, you're talking
23 about real places very different than Las Vegas or Atlantic
24 City, very different economies. We think the opportunity
25 there is to leverage the tourist industry. Now, if you

1 notice in your package there's a small postcard; that's
2 intentional. I think the opportunity here is to treat this
3 as a tourism destination. I think that's what the
4 legislation had in mind, and that's clearly what we'd like
5 to do here.

6 MS. BOCHNOWSKI: Now, I -- are you done?

7 MR. SUNDWICK: Yes.

8 MS. BOCHNOWSKI: Okay. I have a question more or
9 less regarding this change in configuration. I'm a little
10 concerned because the City of Hammond had this plan and
11 this vision of what the marina should be, and you have
12 changed that. Now, how do you think that makes your being
13 a good neighbor, a good corporate citizen to not be going
14 along with what the City plan is?

15 MR. GOLUSKA: I think just to continue on that
16 discussion, the original intention, we understand, in the
17 generic plan, the City's plan, was expediency. And I think
18 if indeed the overpass and the other infrastructure was in
19 place today or substantially in place, I think we'd be
20 remiss in proposing this. On the other hand, it's our
21 contention that both from an aesthetic standpoint in
22 talking to people in the neighborhoods and talking with
23 Congressmen and other people, the opportunity's really
24 missed here by staying with the generic plan.

25 It's also the fact that this plan really does not

1 modify the components of the proposal. It really just
2 swaps those two pieces out. By doing that, one very
3 important technical point is solved. There is a 35-foot
4 wide right-of-way that is required to access the parking
5 garage which is in our plan. Jay, you might want to point
6 that out.

7 (Mr. Boyd pointed to
8 presentation.)

9 MR. GOLUSKA: That 35-foot right-of-way has
10 water, the harbor on one side, has a filtration plant on
11 the other side; two very immovable objects. To bring 1,200
12 cars into there we believe will only happen once because
13 the congestion will get so bad that people will go
14 elsewhere. They'll go to East Chicago. They'll go to
15 outside of Chicago where there's a gaming boat. They'll go
16 to other locations throughout the region. It's becoming a
17 very competitive marketplace without a monopoly. We think
18 you've got to think not for the next five years; you've got
19 to think for the next 50 years. It's solving that traffic
20 issue both from a standpoint of traffic generation and
21 ingress and egress as well as the aesthetic issue of taking
22 a nine-story garage which is required on the lakefront and
23 transforming that into a four-level, three-story base that
24 actually contains the harbor space, instead of creating
25 essentially an element of missed opportunity on the

1 lakefront.

2 MS. BOCHNOWSKI: Okay. Now, the other part of
3 that is that the City has already submitted an application
4 to the Army Corp of Engineers. This would be a totally
5 different application. In terms of -- and I don't know
6 exactly what the Army Corp of Engineers is looking for.
7 But in terms of public use, public ability to view the lake
8 from the harbor, ability to view the land from the water,
9 how do you think that you would fare in an Army Corp of
10 Engineers application?

11 MR. GOLUSKA: First of all, we believe, and I
12 think we're accurate, that this project can be built as
13 part of the existing permit process. There are elements
14 such as the Milwaukee Clipper, the boat ramps, and other
15 issues that this project can be flexible enough to modify
16 and change to fit into the existing permit process. So
17 fitting into the existing permit process, which we
18 understand has not been yet issued, we believe we can fit
19 into that.

20 Our discussions through Jim Knue, who is our
21 environmental consultant who I will ask to speak in a
22 moment, in his discussions with the Corp and other
23 technical experts, has suggested some of these things we're
24 suggesting in this plan actually are enhancements to help
25 the permit go along. For example, the boat ramps; there

1 are a series of boat ramps that exist right at the entrance
2 to the area where the boat would be under any condition.
3 These boat ramps exist right here (indicating). We think
4 the problem with having this boat and perhaps the Clipper
5 and those boat ramps together and access to the facility
6 creates a congestion problem; so we've relocated the boat
7 ramps here (indicating). It's our understanding in
8 discussions with the Corp that's a concern they have as
9 well, and they may actually need to be asking for that to
10 be modified in any plan. So we think there are
11 enhancements to this that the Corp will respond to
12 positively. But nonetheless, the plan is flexible enough
13 to respond to those if not.

14 The other issue I believe you raised was dealing more
15 with the public, not the permitting side of it. From a
16 public side, we went back and looked at the Robertsdale
17 plan, talked to people, as I mentioned, talked to the
18 Congressman. And I believe there's one interesting aspect:
19 If you go out to the Hammond lakefront today, you really
20 can't get to it. If you want to go out there as a citizen,
21 unless you own a boat and you come from somewhere else, you
22 hit a chain link fence. So a parking lot, an open parking
23 lot, does not necessarily provide public access.

24 What we're suggesting here is to create somewhat like
25 an inner harbor, create an edge of activity so that on

1 approaching this, you have a facade which happens to be a
2 three-story garage, but it actually has activities on the
3 ground floor. In fact, I've been talking to and trying to
4 convince -- I've approached Phil Smidt's to put in a
5 microbrewery that ties to this whole project. Put those
6 kinds of activities in the base of the garage and then a
7 facade on the garage that actually invites you into the
8 harborfront whether you want to gamble, whether you want to
9 come there for Sunday brunch at the hotel, whether you want
10 to just come and put your feet in the water.

11 We think this project should make the lakefront
12 accessible. And the notion of the promenade as you see on
13 here, this whole area along here (pointing), is publicly
14 accessible and secure, mainly because there's people and
15 activity. Clearly, there will be a need for security for
16 the marina and for the particular needs of the harbor. We
17 think there's also an opportunity for enhancements to that
18 as well. We think, from a public perception standpoint and
19 a public access standpoint and an activities standpoint,
20 Baltimore's inner harbor is a much better example to follow
21 and certainly a much more successful example.

22 MS. BOCHNOWSKI: Yes, that was another question.
23 For the existing boat owners there, I'm sure that they
24 appreciate having the locked gates to protect their
25 property, so you'd really have to continue something.

1 MR. GOLUSKA: Correct. And clearly, they are one
2 of multiple users. And I think, again, as the Robertsdale
3 plan suggested, don't focus on one user, not the gambler,
4 not the boat owner. Let's look at this for all the people
5 and see how it can work together. From a parking
6 perspective, what the parking garage on the inland side
7 does is it allows us to replace one for one the existing
8 boater parking, in this case under cover. So essentially,
9 their parking that exists today will be there tomorrow
10 except they'll happen to have a cover on when they come
11 into it. It's also possible to segregate that so they have
12 separate key cards. But then having more parking will take
13 care of both the gamers and people coming to the gaming
14 boat as well as coming to the hotel as well as coming just
15 to the waterfront.

16 We include here a suggestion in the three-level garage
17 for -- well, it's a four-level garage, a three-story
18 garage, about 2,300 spaces. Six hundred of those replace
19 the parking for the marina, and the other 1,700 or so are
20 for the boat and for the hotel. We think there is probably
21 going to be a demand for anywhere from 1,500 to 1,700
22 spaces because we're hopeful that this will be a successful
23 waterfront development.

24 MR. SUNDWICK: On your facade that you talk about
25 going around your parking facility, somebody alluded to

1 that it would have stores, and you just said a
2 microbrewery. That wasn't in the original plan, was it?

3 MR. GOLUSKA: The original plan always had a
4 component for retail. What we're suggesting really from
5 this is that the facade of the garage -- first of all, the
6 garage is three stories. So what we're suggesting is that
7 there's a false facade on the upper two stories. We've met
8 with the yacht club and suggested perhaps in the center of
9 this, we might actually put a yacht club -- their
10 facilities in there looking out over the harbor, and also
11 providing security and access to the marina.

12 But on the ground floor of this, as you get closer to
13 the hotel and casino, would be a series of year round type
14 venues in terms of retail and food. As you get further
15 away, we're thinking it's probably a more seasonal thing;
16 bait shops. We've met with the people who would like to
17 enhance the bird sanctuary next to it, talked about
18 interpretive programs that might occur in here much like
19 the Dunes National Lakeshore has in place. As I mentioned,
20 bait shops, the ships' stores, harbor master's office, and
21 the like. Those would tend to be more seasonal. As you
22 get closer here (pointing), some more permanent elements.

23 All told, we're looking at probably 25 -- 40 on the
24 upside -- but probably more like 25,000 feet of retail
25 activity. It's really meant to enhance the edge of the

1 harbor. So the retail that's in there is not -- it's just
2 in the base of the garage because the garage was put there.

3 MR. SUNDWICK: You also mentioned that you'd
4 expect that local merchants would have that opportunity to
5 participate?

6 MR. GOLUSKA: We'd certainly like to. I think,
7 again, with the philosophy that we're espousing here, it's
8 easy to bring in someone from downtown Chicago, someone
9 from New York, someone from elsewhere. Bally's clearly has
10 the opportunity to bring in a national operator. We'd much
11 rather count our gamers at Phil Smidt's or down the street
12 at one of the other restaurants and tie in -- a cross
13 marketing, if you will.

14 There's an easy opportunity for a project of this
15 magnitude -- we're talking about over a hundred million
16 dollars of investment in a community. There's an
17 opportunity for a project of this magnitude to overwhelm a
18 community in the process and put people out of business.
19 Our intention would be to take Phil Smidt's, take the
20 retail establishments and find a way to integrate them into
21 here, whether it's through expansion in their present
22 location, whether it's through enhancements in their
23 present location, or perhaps having a buffet or an element
24 in here run by a local entrepreneur. We'd much rather do
25 that than bring in outside food or retail.

1 MS. BOCHNOWSKI: What do you think this does --
2 if you have a retail area there, what do you think this
3 does to, for example, downtown Whiting, which depends a lot
4 on Robertsdale residents and Whiting residents to shop
5 there?

6 MR. GOLUSKA: First of all, the nature of this
7 kind of retail really responds more to the marina. It's
8 much more like a Marina Del Rey, service retail that really
9 appeals to someone as they're having a boating experience
10 or a marina or waterfront experience. It's really meant to
11 activate that water's edge. I think it's very different
12 than what happened to downtown Whiting. Downtown Whiting
13 is probably one of the best kept secrets and one of the
14 most wonderful downtowns certainly in the Midwest.

15 One of the things we'd like to do, and you'll notice
16 on the plan, is that Calumet is actually suggested to even
17 stay open or certainly stay open as a local access piece.
18 We think to bring two and a half million people here and
19 not let some percentage of them experience downtown Whiting
20 would be inappropriate. So whether it's through a rubber
21 tired trolley system in conjunction with the
22 Robertsdale/Whiting Chamber of commerce or other kinds of
23 programs, we'd like to find a way of bringing that traffic
24 into the area in terms of retail merchants and food and
25 beverage.

1 MR. MILCAREK: I'd like to ask some questions
2 about the Milwaukee Clipper. Yesterday I thought I saw
3 faint markings of "Father Marquette go home" on the side of
4 that; it's so old. What do you plan to do with that? And
5 I believe that one of the other competitors has at least;
6 have you given it any thought?

7 MR. KLINEMAN: Tom, you want to turn the mic
8 around a little bit?

9 (Mr. Milcarek did so.)

10 MR. GOLUSKA: First of all, the important thing
11 in that is you referred to it as the Milwaukee Clipper. It
12 was indeed once a Milwaukee ship. I believe it spent some
13 time in Chicago. It's now berthed in Hammond. There's
14 been some suggestions perhaps it's going to continue on
15 elsewhere. I think if there's -- as we talked to the civic
16 leaders, we didn't find a very strong outpouring of civic
17 pride in that facility. I think if there is, this plan
18 could easily accommodate that. The Milwaukee Clipper can
19 stay in place in berth. It can be renovated, restored, and
20 can operate along with the gaming boat.

21 It's our sense that it's probably better to relocate
22 it. And I know Milwaukee is talking about wanting it back.
23 Perhaps they could put a name back on it instead of
24 Milwaukee. I think it's really a decision for the
25 community. I think the plan we've got here can remain in

1 place if the community desires. If it would like to ship
2 it back out to where or whence it came, I think that's also
3 possible as well.

4 MR. MILCAREK: You mentioned the fact that you
5 were considering building the ship on site. How practical
6 is that and what kind of timetable would you have? When
7 would you decide that it would actually be built here;
8 before the licensing, or when would you make that
9 commitment?

10 MR. GOLUSKA: Let me introduce that, then I'd
11 like to ask both Norm De Jong and the folks at CBI, Chicago
12 Bridge and Iron, to embellish this. The notion of building
13 on site is really one of saying why take these jobs and
14 give them to Florida or Louisiana in terms of the ship
15 building industry when you've got the world's largest steel
16 industry based right here in northwest Indiana, and
17 certainly the best boilermakers and best craftsmen
18 anywhere, certainly in this country if not in the world.
19 So the idea is very compelling to us. It's exciting and it
20 fits, we think, the philosophy we bring to the table.

21 As this notion was presented to Bally's, the first
22 question was: Is it feasible? Then we found out that's
23 exactly what Hyatt and Circus Circus did in Elgin with the
24 same kind of benefits. It's what, I believe, the Aurora
25 casino did for their expansion in Hollywood Casinos in

1 Aurora. So we started to find that there's a trail of
2 complete building through the wintertime in both those
3 scenarios. Both in Aurora and in Elgin, those were built
4 through the winter, and fairly harsh winters. So we think
5 we've got a very feasible way of doing it. I think there's
6 an opportunity for embellishing it in the sense of leaving
7 behind a permanent economic development opportunity in
8 terms of a ship building type facility or marine place for
9 ship repair.

10 But let me ask Norman and perhaps Brian from Chicago
11 Bridge and Iron to step up here for a moment, just because
12 I think it's an issue that's quite compelling and certainly
13 worth some discussion.

14 MR. BOYD: This is Brian Goedken from Chicago
15 Bridge and Iron.

16 MR. GOEDKEN: Yes, I was the project manager for
17 CBI on the Elgin project. We started that in January in a
18 harsh winter, and it opened on October 6, which actually
19 was nine days ahead of the very original plan. So we built
20 a 400 by 114 foot boat in nine months up in this area. So
21 yes, it's very feasible.

22 MR. SUNDWICK: When you say "feasible," I mean,
23 I -- you know, "feasible," that means this is what you're
24 going to do? Or is feasible, "Jeez, we may do this, we may
25 do something different"?

1 MR. KLINEMAN: Well, and wasn't that a
2 requirement that that -- because of a configuration that
3 that boat had to be built on site, or am I mistaken and it
4 was some other location in Illinois?

5 MR. GOEDKEN: Yes, it had to be built on site.

6 MR. KLINEMAN: So they didn't have the option of
7 going to a regular -- we'll call it a regular ship building
8 plant?

9 MR. GOEDKEN: Yes, but that didn't negate the
10 fact of the economic benefits it brought to the City of
11 Elgin, which would be also brought to here.

12 MR. KLINEMAN: Well, okay. But one of the
13 questions that we're having now is do we understand that
14 Bally's is making a commitment to build the boat on site,
15 or is that one of the possibilities?

16 MR. BOYD: Arthur Goldberg would like to answer
17 that question.

18 MR. GOLDBERG: Mr. Chairman, thank you.
19 Definitely the boat will be built on site. It's going to
20 cost us a few bucks more. We think the upside is
21 definitely worth it, so the boat will be built here.

22 MS. BOCHNOWSKI: That's a firm commitment that
23 you're making today?

24 MR. GOLDBERG: That's a firm commitment that I am
25 making today, along with the check in my pocket.

1 MR. KLINEMAN: By the way, we also decided at
2 lunch that we could write a 102 million dollar check and
3 keep it in our pocket; everything would be fine.

4 (Mr. Goldberg walked up to
5 Commission table and gave
6 check to Mr. Klineman.)

7 MR. KLINEMAN: Arthur, I told you small bills.
8 And you didn't spell my name right.

9 MS. BOCHNOWSKI: Okay; back to the boat. As
10 you're building this, what does this -- I mean, as this
11 boat is being built, where exactly are you going to be
12 building this? Right in this marina? Or I mean, how are
13 you going to do this without disrupting everything that's
14 going on?

15 MR. GOEDKEN: You're right; it would disrupt the
16 marina. What we've done is we've talked to the Port of
17 Indiana Commission over there, Pete McCarthy and Mark
18 Honeke, about the possibility of leasing some of the land
19 they have available. They also want to get a ship repair
20 facility in that port there; and if they have some funding
21 through the State, the government, to establish that. So
22 this is a real kick for them to actually build a new boat
23 there. And then after we leave, they'll have a facility
24 that they can do ship repairs.

25 MS. BOCHNOWSKI: So it will be in the Port of

1 Indiana then?

2 MR. GOEDKEN: Yes, that's where we'd build it.

3 MR. THAR: Has that been agreed to or is that
4 something that there's talk about?

5 MR. GOEDKEN: The Port of Indiana has space
6 available where we could build it, but we don't have a firm
7 lease with them, but the lease is available.

8 MR. THAR: You don't have a spot yet; is that
9 right?

10 MR. GOEDKEN: It's basically available, but no
11 firm commitment.

12 MR. MILCAREK: Would you commit that this boat
13 would be built in Indiana and not in Illinois or Michigan
14 or something like that?

15 MR. BOYD: Absolutely.

16 MR. KLINEMAN: The infrastructure that you
17 referred to, that would be the access? You're not talking
18 about other items, are you? You're just talking about the
19 access, that the access has not been created, and therefore
20 you feel free to make the changes you're proposing?

21 MR. GOLUSKA: Correct. The infrastructure that
22 we're referring to is really the overpass, primarily the
23 overpass. And I think the Mayor has said, and we happen to
24 agree, it would be impossible to open this facility without
25 that access in place because of the congestion that would

1 be occurring on Calumet. So the overpass is the key
2 infrastructure item. Clearly, there are the utility
3 requirements, other harbor improvements. None of those are
4 anywhere near as critical or reflect a critical path as
5 much as the overpass.

6 MR. KLINEMAN: And you first presented this
7 proposal to our office and not to the City of Hammond; is
8 that correct?

9 MR. GOLUSKA: I believe that it was both to -- it
10 was meeting with Jack Thar and his staff; and then
11 subsequent to that, the next day, a public presentation as
12 well as presentations to the City staff.

13 MR. KLINEMAN: And what was the reaction of the
14 City when it was presented to them?

15 MR. GOLUSKA: Bernie, you might want to --

16 MR. MURPHY: Well, we -- I'm Bernie Murphy,
17 Vice-President of Corporate Affairs for Bally
18 Entertainment. We've had dialogue with the City ongoing
19 for the entire process, and it's been our intention all
20 along to do as much as we could to stay within the
21 parameters of what the City desired, not -- the ground
22 rules, as we understood them, at least insofar as the City
23 was concerned, was that we had to stay within those
24 parameters. And as long as we did, it was okay by them.
25 You'll see from -- or I think you heard earlier from Kim

1 that while we would, in an ideal situation, move the boat
2 ramps, for example, we designed this project so that it
3 doesn't have to move the boat ramps, again in deference to
4 the City's plan, so that we could stay within it.

5 MR. GOLUSKA: I believe, if I remember correctly,
6 the City's two main issues that were brought up were the
7 two that you discussed already, the boat ramps and whether
8 the plan is flexible enough to accommodate that so we don't
9 short circuit or possibly short circuit the Corp permit;
10 and the Milwaukee Clipper, whether or not this could live
11 and could co-exist in harmony with the Milwaukee Clipper.
12 And we explained to them that both those are possible. We
13 think there are better ways. If we have an opportunity to
14 work with them to conceive a better way, I think we would
15 find that that would be the case. But certainly the plan's
16 flexible to accommodate that.

17 MR. KLINEMAN: And what's been the City's
18 reaction to this presentation, so far as you know?

19 MR. MURPHY: Well, Mr. Chairman, the City has a
20 preferred developer, so I would suspect that they're going
21 to continue to back that preferred developer and that
22 preferred developer's plan. But certainly this plan fits
23 within the general parameters of what we've been
24 discussing.

25 MR. GOLDBERG: Mr. Chairman, I met with the Mayor

1 yesterday --

2 MR. KLINEMAN: You want to identify yourself?

3 MR. GOLDBERG: Arthur Goldberg.

4 MR. KLINEMAN: Yes, thank you.

5 MR. GOLDBERG: I met with the Mayor yesterday,
6 and we had a very cordial conversation, and he pledged
7 total support to whomever the winner of the process is.
8 And I would assume there's no reason for the -- the City
9 wants to get it built, and whomever wins would get the same
10 cooperation.

11 MR. GOLUSKA: That would be the same response we
12 got from the City staff.

13 MR. SUNDWICK: And in that same conversation, was
14 it you would commit to the same -- the City's commitments
15 that the other -- what do I want to say?

16 MR. KLINEMAN: Incentives.

17 MR. SUNDWICK: -- incentives, I guess, to use the
18 word, to the City?

19 MR. MURPHY: We have our own incentive plan --

20 MR. KLINEMAN: Would you identify yourself for
21 the record.

22 MR. MURPHY: Yes. Bernie Murphy, Vice-President
23 of Bally's. We have our own incentive plan, which I think
24 you'll see up there on the economic benefits chart
25 (indicating). Of course the capital investment, but also a

1 little less than 10 million dollars in annual revenue
2 sharing to the City of Hammond, our annual revenue sharing
3 to the Port Authority, and our total state and local taxes
4 of nearly 35 million dollars. We have -- I think that each
5 of the proponents has their own set of revenue sharing, and
6 we have committed to that, and it's consistent. And we
7 believe it's better; that our revenue sharing plan in fact
8 exceeds the other two proponents. So while it may be
9 distributed a little differently, it is equal or greater
10 than the other two proponents.

11 MS. BOCHNOWSKI: Well, now, I have -- maybe the
12 list I have is wrong, because I had turned my book to this.
13 I have that over -- your local economic development plan
14 over a five-year period was 47 million dollars, which
15 includes 2.6 million for the Hammond public schools, 15.9
16 million for the Hammond lease, 9.6 million for the Port
17 Authority fee marina passenger tax, 8 million plus for
18 parking fees, and 10.9 million for the overpass, which
19 comes to 47 million. And in fact, your amount for the
20 overpass is less than what Boyd and Lake Michigan Charters
21 had planned, so I don't know how there can be a difference
22 in that.

23 MR. GARDNER: This is Rich Gardner, Calumet
24 Construction. We have taken the plans for that that were
25 developed for the City with American Engineering and we've

1 priced out that overpass. I have no idea where their
2 figures came from, but Bally's figures are construction
3 figures, and we'll build it for that amount of money. If
4 there's any other figures or costs that are in there other
5 than that overpass, we're unaware of them, for the other
6 proposers.

7 MS. BOCHNOWSKI: Okay. And --

8 MR. THAR: That's not --

9 MS. BOCHNOWSKI: Oh, go ahead.

10 MR. THAR: That's not present value.

11 MS. BOCHNOWSKI: Oh, well, I know, but it's all
12 the same. I mean, I'm comparing apples to apples here.

13 MR. THAR: Okay. But if their figure's a little
14 higher, that's because they project it over five years and
15 that's reduced to that present value.

16 MS. BOCHNOWSKI: I know, but it's still this to
17 this to this (indicating). I'm looking at --

18 (Discussion was held off the
19 record between Mr. Thar and
20 Ms. Bochnowski.)

21 MS. BOCHNOWSKI: All right. Oh, I see. Okay.
22 The other thing is that the other two applicants have 3.7
23 million dollars for police and security that they are going
24 to pay the City. Have you considered helping the City with
25 police and security?

1 MR. MURPHY: Well, again, the money that goes to
2 the City certainly can be used any way that the City wants.
3 We have, for example -- and it's a question of priorities.
4 We'd certainly be in a position to discuss at any point in
5 time how those things ought to be distributed, but we think
6 that that's a much more appropriate issue for the City to
7 determine. We have, however, a half percent of the gross
8 gaming revenues going to public schools in Hammond. We
9 think that that's an issue. Some others think that perhaps
10 it ought to be a law enforcement issue. All of those
11 things obviously need to be addressed, but we believe that
12 the City can spend and do the things that it wants to do.
13 And if there are additional incentives that are required,
14 we're certainly willing to discuss that as well. But it's
15 just a question of priorities and where do you want to put
16 it.

17 MS. BOCHNOWSKI: Okay. I see, yes, because the
18 other two don't have money for the schools.

19 MR. MURPHY: Right.

20 MS. BOCHNOWSKI: The other thing is you have down
21 for your lease -- and I just want to make sure I've got the
22 correct numbers here -- 15.9 million plus almost 16 million
23 dollars for the Hammond lease, where Boyd has it down for
24 34 million, and Lake Michigan Charters for 25 million. I
25 can't imagine why there would be any disparity. It would

1 seem to me it would be the same.

2 MR. BOYD: Jeff Wadley, C.P.A., would like to
3 respond to that. I think it relates to the manner -- the
4 numbers and assumptions that go into those computations on
5 leasing revenues.

6 MR. WADLEY: My name is Jeff Wadley. I'm a
7 C.P.A. and partner in Bally's Indiana, Limited Partnership.
8 Our proposal is to give the City of Hammond 3 percent of
9 the adjusted gross receipts with a minimum of 3 million
10 dollars. In addition, we will construct the overpass, as
11 you're aware. And then we're also going to give them \$2
12 for every car we park in the parking garage. We estimate
13 that to be approximately 2.4 million dollars a year. Over
14 and above that, we're going to give a half a percent to the
15 schools of Hammond, which will be -- there will be a board
16 forum to determine how that gets allocated. And then above
17 that, we're looking at giving \$1 per admission to the
18 Hammond Port Authority. If that does not break the Hammond
19 Port Authority even during any given year, we'll also
20 contribute additional money to help subsidize that
21 operation so that there's no shortfall of funds. Beyond
22 that, as you are probably aware, we're going to purchase
23 the migrant bird tract which is presently owned by NIPSCO,
24 I believe, and donate that to either a foundation, the City
25 of Hammond, or whoever the local citizens of Hammond would

1 deem appropriate.

2 MR. MILCAREK: Each applicant has agreed to
3 purchase that site, I believe.

4 MS. BOCHNOWSKI: I just wanted to clarify some of
5 those numbers and make sure that I'm looking at the right
6 numbers.

7 MR. MILCAREK: Speaking of that NIPSCO site, when
8 would you purchase it? And it says it must be cleaned up.
9 Who would pay for the cleanup of the lot -- of the acreage?

10 MR. WADLEY: First of all, our commitment is to
11 purchase it when it's available for purchase. We
12 understand that the City of Hammond has entered into
13 negotiations for the purchase of it. We've committed up to
14 3 million dollars for its purchase. We've also contacted
15 some landscape architects, and we're working with people
16 that are sensitive to that migrant bird tract that have the
17 history and have studied that migrant bird tract. And
18 we're sensitive to that issue, and we will even provide
19 some landscape architects and some additional funds to help
20 replant some trees and bushes and stuff to enhance it. As
21 Kim indicated, we're also looking at putting an
22 interpretive center in the harborside promenade so that
23 people can enjoy that migrant bird tract even more through
24 education.

25 MS. BOCHNOWSKI: That's true. I think that

1 there's been some problem in that migrant bird tract of too
2 many people going in there, fires being started,
3 destruction in there. I'm not sure that the people who are
4 really interested in that migrant bird tract want a lot of
5 people going through there. I mean, that's for the birds.
6 That's not really -- you know, I think that before you do
7 any of these interpretive centers, you really need to talk
8 to the people in Lake County who have been interested in
9 that migrant bird tract.

10 MR. GOLUSKA: That is indeed the intention. In
11 fact, where the interpretive center came from was for the
12 very reason you mentioned. And in talking with some of the
13 people with the foundation and who are very well aware of
14 trying to preserve the migrant bird tract, we suggested
15 that -- exactly your very words -- that bringing too many
16 people into it at a point would trample it, not help it.
17 So perhaps one way of doing this is to pull out of that and
18 put into the promenade retail some form of interpretive
19 centers to educate and allow that to be preserved and
20 enhanced rather than trampled in the process of trying to
21 keep it. In fact, I believe -- Jim, you might want to talk
22 about some of the correspondence we've had with the
23 specialists in that area.

24 MR. MONTANA: Yes, we had meetings with
25 representatives of the group that has dedicated itself to

1 the preservation of the migrant bird tract. And we most
2 recently, on October 9, sent some correspondence to Carolyn
3 Marsh, who is, I believe, the Chairman of the Save the
4 Migrant Tract Committee. And what we did is committed, of
5 course, as has been noted, to the purchase of the property
6 or up to 3 million dollars towards the purchase of the
7 property; and then to assure them that we would do nothing
8 to upset the integrity of the migrant bird tract. And
9 thirdly, we said that we would cooperate fully in hopefully
10 getting it transferred to an agency that can act as a
11 steward and a protector of the migrant bird tract as we
12 move forward.

13 MR. KLINEMAN: It's hard to remember, but you
14 need to identify yourself, please.

15 MR. MONTANA: I'm sorry. I'm Jim Montana. I'm
16 the Senior Vice-President and General Counsel of Bally's.

17 MR. KLINEMAN: You don't have to give your titles
18 all the time, just your name.

19 MR. MONTANA: All right.

20 MR. BOYD: We would provide copies of that
21 correspondence to the Commission if you wish to see it,
22 Commissioner Bochnowski.

23 (Discussion was held off the
24 record among Commission.)

25 MS. BOCHNOWSKI: I've got financial questions, so

1 go ahead and --

2 MR. KLINEMAN: The overriding conclusion that you
3 come to when you see the site -- maybe overriding's a
4 little strong. But anyway, you come to the conclusion that
5 there is an operating marina at that location at the
6 present time. When I look at your plan, I view the marina
7 as being very, very much pushed to the side and that it
8 would certainly have a very adverse effect. For instance,
9 the parking. I mean, I'm a marina owner; where am I going
10 to park? Am I going to park in the garage and now pay for
11 parking? What do I do? And what facilities do you have
12 for long-term parking? Are you going to charge me so much
13 a day if I decide to go on my boat and ride around for a
14 couple of weeks on Lake Michigan? Tell me how you propose
15 to interact with the marina itself, in all aspects.

16 MR. GOLUSKA: Kim Goluska. I think very valid
17 questions, especially if they were coming from a boater.
18 First of all, I think the issue here is any construction of
19 this magnitude out on the site is going to have disruptions
20 during construction, and I think we have to accept that
21 and --

22 MR. KLINEMAN: Yes; lay aside the disruptions.

23 MR. GOLUSKA: Long-term, the intention here is to
24 take this and create it as an enhancement to the marina. I
25 think -- I mean, first of all, parking. The marina

1 people's most favorite thing is where his car is parked and
2 the inverse proportionate distance between that and their
3 boat and the size of the cooler. And I think the intention
4 here is to preserve that as it is intact and enhance that.
5 So for example, marina people would park today as they
6 park, except they would happen to be under cover in a
7 secure garage with a key card access that they would be
8 able to use to separate them from gaming or hotel traffic.

9 So that's a one for one replacement, with the
10 additional provision for other parking that the casino's
11 providing in excess of the requirements for parking spaces.
12 So the additional parking, one for one replacement; the one
13 for one replacement is actually under cover, simply put, on
14 the first floor of the garage in the identical location of
15 where it is today. And so I think the number one issue is
16 to give them one for one improved parking.

17 Second, other than what is required for the movement
18 of boats under any scenario, we don't find any need to
19 eliminate slips. Even though the marina, I think, is in
20 the range of 60 to 70 percent filled right now, it's our
21 hope and I think our belief that the marina will become 100
22 percent filled and probably will be able to survive if we
23 put this kind of project in place, mainly because it will
24 fare on more transient traffic coming from Michigan City,
25 coming from downtown Chicago. People will stop in here

1 because it will become a tourist attraction. We think that
2 enhances security. We think it enhances the quality of
3 space here and certainly the Bally -- marina slips for
4 those that have been in the marina.

5 Thirdly right now is the boater. Many boaters spend a
6 lot of time -- being a boater on Lake Michigan myself, many
7 boaters spend a lot of time sitting in the harbor because
8 the lake is a fairly dangerous place when squalls come up.
9 Right now you sit in this harbor and you look at the back
10 end of Lever Brothers, not exactly the same kind of view
11 you get in downtown Michigan City or in Montrose Harbor or
12 Burnham Harbor in Chicago. The notion of this, as we've
13 heard before, is to really try and create an event or by
14 making a structure much more akin to the inner harbor or
15 some of the great harbors elsewhere in the country.

16 So that instead of looking at the back end of the fine
17 Lever Brothers facility, you're actually looking at a
18 retail facility, a ship's store, have a place to go out and
19 get a drink, have a place to go out and get some -- a
20 spinnaker or some materials for your boat, as well as a
21 place that you can go and guests can stay if they're coming
22 to visit you on the boat.

23 So we think and we honestly believe there's some great
24 enhancements for the marina, both for existing users but
25 also filling up those other 30 or 40 percent and actually

1 probably creating a waiting list for users of the marina.
2 Parking is really number one. We think we've created a
3 much better parking situation for the marina people. And
4 again, we're the first to admit that during construction,
5 there's going to be a fair amount of inconveniences. We
6 think we can plan for it, but those are unavoidable.

7 MR. SUNDWICK: Do they pay for parking now at the
8 marina; do you know?

9 MR. GOLUSKA: We're checking. We don't believe
10 so.

11 MR. SUNDWICK: There's no pay for parking here,
12 is there?

13 MR. GOLUSKA: No. It would be consistent here.
14 The only difference is it would be under cover and secure.

15 MR. SUNDWICK: You said that -- would you have a
16 specific place for the slips' parking because, you know,
17 they could say, "Well, you'll be put under cover. It's the
18 same location." You'd have to say that it was going to be
19 the equal floor or, you know, make a slip parking or
20 something. You know, I hate to see these people with their
21 coolers driving around trying to find a parking spot some
22 day.

23 MR. GOLUSKA: I think the operational issue has
24 really become one of working with the harbor master and the
25 yacht club as to how best to do that. It may be best to

1 assign spaces along with your slip lease and have a key
2 card access to that. It may be better to keep it open. In
3 fact, the marina may want to, instead of having the ground
4 floor as it is today, which is spread out parking, stack
5 that and have one section of the garage secured. I think
6 there's several options we can do. We can't decide that
7 without much more detailed dialogue. We've begun that
8 dialogue with both the yacht club and the harbor master,
9 but we can't really decide that until we get their full
10 input. But clearly, from a congestion and traffic
11 standpoint, access to both the boat ramps and to the
12 parking, this configuration is going to be far superior
13 than when traffic is backed all the way up to Indianapolis
14 Boulevard because everyone is trying to get to a garage out
15 on the lakefront through that small narrow piece I
16 mentioned to you earlier.

17 MR. GARDNER: This is Rich Gardner. The one
18 thing I think should be made clear is the parking for the
19 marina, the people that have boats there, will be isolated
20 under whatever scenario we go with on the parking. The
21 question is: Where do they want them? And we have started
22 discussing that with the marina people, both the harbor
23 master and the yacht club. But the parking for the people
24 with the boats will be separate and accessible only through
25 a security card system, both in and out, so their cars are

1 safe and their boats will be safe because you can only get
2 to the boats through the parking area.

3 MR. VOWELS: If that Milwaukee Clipper remained
4 there, wouldn't you have to eliminate some slips?

5 MR. GOLUSKA: I believe under any scenario if the
6 Milwaukee Clipper remains in place, there's a need to
7 eliminate several slips because of the width of the Clipper
8 and the width of the gaming boat. They would probably be
9 slightly askew from each other, but their combined berth
10 would probably require some additional slips. One of the
11 benefits of not keeping the Clipper there is obviously
12 eliminating less slips.

13 MR. VOWELS: My understanding is that Lake
14 Michigan Charters has a lease on the Clipper. Have you
15 entered into any kind of negotiations or spoken with them
16 at all about what you would do if you were awarded this
17 license?

18 MR. MURPHY: No.

19 MR. BOYD: No, we have not.

20 MR. KLINEMAN: Want to identify yourself, Jay?

21 MR. BOYD: Jay Boyd, Counsel.

22 MR. SWAN: Have you actually looked into the cost
23 of moving the Clipper? Do you have those numbers?

24 MR. GARDNER: This is Rich Gardner again. Yes;
25 yes, we have looked into the cost. There are some

1 engineering problems of just getting it out of the harbor.
2 Leaving it there, there are some permitting problems. Yes,
3 we've looked at both. Whether you leave it there or take
4 it out, there are some permitting and engineering problems,
5 and we have looked at them.

6 MR. SWAN: Can you share those costs with us,
7 please?

8 MR. MURPHY: This is Bernie Murphy. I think we
9 have it at about 200 thousand dollars to move.

10 MR. GOLUSKA: Correct.

11 MR. MURPHY: 200 thousand.

12 MR. VOWELS: Where would you move it to? What do
13 you do with the boat, take it back to Milwaukee?

14 MR. GOLUSKA: I believe that's been mentioned
15 before. I think there are some discussions that are going
16 on that Milwaukee would like to have it back if it could be
17 moved out. It may want to find another home. I think
18 there's a lot of different things that could be done with
19 it if it isn't moved out. But clearly, that's got to be
20 discussed.

21 MR. SWAN: I know you just gave us your last 102
22 million dollars, but are you willing to pick up the tab for
23 moving the Milwaukee Clipper as well?

24 MR. BOYD: Arthur Goldberg.

25 MR. GOLDBERG: Arthur Goldberg. Yes, sir.

1 MR. GOLUSKA: Kim Goluska. And there is a line
2 item in our budget for 200 thousand dollars, as Mr. Murphy
3 mentioned; that is in the budget for the moving of the
4 Clipper.

5 MS. BOCHNOWSKI: If the Clipper had to stay
6 there, I would think that with all of this nice
7 construction that you're doing, you would certainly want to
8 renovate the Clipper because it's kind of an eyesore right
9 now. Any idea of how much that would cost? What would you
10 have to add to --

11 MR. GARDNER: This is Rich Gardner again. We at
12 Calumet worked with the City several years ago looking at
13 renovating it. And I think at that time, they decided that
14 it wasn't worth the effort and the cost. The problem is
15 that that boat environmentally is an antique, too. It's
16 covered with lead based paint. It's full of asbestos. The
17 floor to ceiling heights are poor for developing it. In
18 many cases, they're seven feet high. Getting mechanical
19 and electrical into those spaces to make it real usable is
20 very, very difficult. I believe at that time we were
21 talking 5 or 6 million dollars just to clean it up and make
22 it usable. The question is: What do you use it for?

23 MS. BOCHNOWSKI: I'm real concerned about
24 something that you just said. Is that lead based paint, is
25 that going into Lake Michigan right now? Is the asbestos

1 going in? I mean, what's going on?

2 MR. BOYD: Norm De Jong.

3 MR. DE JONG: Norman De Jong. It's not going
4 into the lake at all. It's part of the interior finishing.

5 MS. BOCHNOWSKI: Oh, it's interior. I thought
6 you meant maybe the exterior was lead. Okay.

7 MR. GOLUSKA: Kim Goluska. I believe the Clipper
8 situation is if there's a desire to keep it in place and
9 turn it into something that is a symbol of civic pride, it
10 clearly can be part of our plan. We can certainly
11 accommodate that. I think what you're hearing is it will
12 take a lot of work. And as Jim Knue, our environmental
13 consultant, has told us, apparently -- the Clipper
14 apparently today is in violation of some environmental Corp
15 permits. So there a lot of issues that would have to be
16 cleaned up, so to speak, along with that. I think we are
17 committed to working with that because of the desire to
18 keep it there. If the desire is not there, we've shown it
19 as being relocated.

20 MR. THAR: I have a couple of site questions.

21 DR. ROSS: Bally's seems to have a very good past
22 history of dealing with minorities. Hammond seems not to
23 have much of an active minority, but how would you handle
24 the statutes that deal with the hiring percentages?

25 MR. BOYD: Redenia Gilliam-Mosee will answer that

1 question.

2 MS. GILLIAM-MOSEE: Last weekend I was here when
3 we conducted a job fair in terms of providing information
4 for people who are interested in looking at what
5 potentially would happen at Bally's. We worked a lot
6 through community based organizations. And the idea is to
7 identify people locally, the organizations that they're
8 involved with. We do a lot of work through churches
9 because we find the churches a large part of recruitment
10 mechanisms, and they're already set up to provide
11 information to their congregations.

12 And by letting the individuals know the kinds of jobs
13 we have ahead of time, they begin to think. For example,
14 we have accounting positions. There are people who are in
15 training currently in accounting and vocational schools,
16 and they would just have to learn the kinds of casino
17 accounting that could be used at various levels. We
18 also -- as you will note, Atlantic City had no casino
19 employees when it opened. It had to totally recruit from
20 the local work force and to train individuals for that, as
21 well as develop a slot training curriculum. We did all of
22 that by using local community colleges and vocational
23 schools. And some of the organizations I've met with
24 locally, I've asked them to begin developing their job
25 banks, to look at the people with the various skills that

1 they have that are transferable. And we would be using
2 community based organizations to do that because they know
3 their community.

4 MR. VOWELS: Where would the dealer schools be
5 located? In Hammond?

6 MS. GILLIAM-MOSEE: Well, the thing that's most
7 important is that we also have the ability to do our own
8 training in terms of expertise. The thing that we look to
9 working with mostly -- when we had the job fair, we were at
10 Calumet College, and a lot of the people who were there
11 were familiar with the kinds of jobs and training that is
12 necessary. The Casino Career Institute in Atlantic City
13 has curricula that have been developed and work with
14 linkages with local other community colleges or vocational
15 schools in the area to be able to use those curricula and
16 to do the training. We would have our own staff in terms
17 of subject matter experts for the games and all of that to
18 do the training for individuals.

19 But the skills that are here, courtesy, the ability to
20 be cordial and hospitable, was a lot of what was also
21 already viewed from the people who came through last
22 weekend. All they wanted were job applications, and we had
23 to impress upon them that we had not been selected as yet
24 and we needed just the interest cards. And following that,
25 we would let them know.

1 MR. VOWELS: But if you are granted the license,
2 where will physically the dealer school be?

3 MR. MURPHY: This is Bernie Murphy. We had
4 discussions with Calumet College as well as Ivy Tech. We
5 have, I believe, already furnished a curricula to Calumet.
6 We would anticipate doing the same with Ivy Tech. And
7 utilizing the existing educational resources so that the
8 people here, rather -- I guess what sort of typically may
9 happen, which doesn't need to happen and won't happen here,
10 is that expensive trade schools might pop up to train
11 people. We think the existing -- you know, then the
12 individuals without jobs that are looking for jobs need to
13 come up with tuition money, which can be expensive.

14 What we would much rather do, and I think what Redenia
15 had suggested and what we've done very effectively and
16 broke that ground really in Atlantic City, was to furnish
17 the curricula, the courses, the game plan, as it were, to
18 the local educational institutions and let them do it;
19 certify them and then send them to us for a job.

20 I guess I'd be remiss too on the whole issue, the
21 general issue of Bally's track record with minorities and
22 women participation, that not only is Bally's the first
23 company to have a majority minority partnership in a gaming
24 facility, but we also -- two of our executive
25 vice-presidents of both of our facilities in Atlantic City

1 are minorities; one a Hispanic, the other African-American.
2 That would be the Chief Operating Officer of Bally's Park
3 Place and the Executive Vice-President of marketing at The
4 Grand.

5 MR. VOWELS: I guess one of my main questions
6 about the dealer school is to get a commitment from you
7 that it would be locally accessible, that it would be
8 within the confines of the City of Hammond.

9 MS. GILLIAM-MOSEE: Yes.

10 MR. GARDNER: Both Ivy Tech and -- well, Ivy Tech
11 is in the former East Chicago Career Center, and of course
12 Calumet College is within a mile of the marina.

13 DR. ROSS: Would the ship building and
14 construction projects have the same impetus?

15 MR. GARDNER: The construction -- Calumet
16 Construction is involved, as I said during my presentation,
17 with mentor prodigy programs that are formal, formally put
18 together both in Hammond and Gary, and both of those would
19 come into play here and in Indianapolis. And I'm sure that
20 CB&I has the same sorts of programs. And believe me,
21 Bally's is behind us pushing us to make sure that those
22 programs are implemented and are fully staffed.

23 MS. BOCHNOWSKI: I'd like to kind of switch gears
24 a little bit. I understand on your financial
25 information -- whoever's in charge of financial might want

1 to get ready. First of all, I understand that -- and I
2 want to make sure again that I have the right numbers here.
3 You have 1.26 billion dollars in debt, and that makes your
4 debt to equity ratio 3.5 to 1, which is high for the
5 industry that you're in, which I think the average is about
6 1.14, something like that, to 1?

7 MR. BOYD: Lee Hillman, Chief Financial Officer
8 of Bally Entertainment Corporation.

9 MS. BOCHNOWSKI: Okay; yes, go ahead on that. I
10 just --

11 MR. HILLMAN: Do you want me just to react to
12 what you said, or is there --

13 MS. BOCHNOWSKI: You can tell me if I've got the
14 right numbers, and then tell me if this is a problem that
15 you have too big of a debt.

16 MR. HILLMAN: Well, certainly it is not a
17 problem. First of all, what you need to do is to subtract
18 the cash on our balance sheet and marketable securities,
19 the liquid assets, from the debt number to come up with a
20 net debt number. We tend to and currently are carrying a
21 significant cash and marketable securities balance on our
22 balance sheet, one which I know we've provided to the
23 staff, totals some 350 plus million dollars. In addition
24 to that, we have available credit over and above unused
25 credit lines of nearly 100 million dollars today. So if

1 you were to look at the debt to equity ratio on a net debt
2 basis, it's substantially lower. It falls well within the
3 averages in the industry.

4 But I might also tell you that the terms of our debt
5 in terms of both interest rates and in terms of maturity
6 are probably the most superior in the industry. We have
7 been extremely aggressive in the debt markets over the last
8 several years. We have gone out and come up with superior
9 debt terms and refinancing. Each of our pieces of debt, as
10 I explained to great length to the staff, have gone through
11 Bally's rather unusual capital structure in our industry,
12 where each of our operating units is separately financed
13 under its own non-recourse financial structure.

14 So with respect to the Indiana project, as an example
15 the Hammond project, there is no risk of recourse from any
16 of that debt that you mentioned of 1.2 billion, or if you
17 would use a net debt number of 900 million. We are unique
18 in the industry in that regard. It has given us the
19 ability to go out and do that aggressive financing which
20 we've been able to accomplish because the pieces of the
21 financing are of a size that the market accepts very well.

22 MS. BOCHNOWSKI: So you feel comfortable with
23 that debt. But now coming up, you have a 100 million
24 dollar expansion in Atlantic City and you're building a new
25 420 million dollar resort in Las Vegas. Now, is that going

1 to cause you problems as you're doing this project here,
2 this 102 million dollar project in Hammond?

3 MR. HILLMAN: No. And if I can clarify --

4 MS. BOCHNOWSKI: I'd like you to.

5 MR. HILLMAN: -- on each of those as well. First
6 of all, with respect to the Atlantic City project, that
7 project will be built out of cash flows of that property,
8 the Park Place alone. Park Place this year in 1995 will
9 have cash flow of somewhere between 135 and 140 million
10 dollars in a single year. It is, if not the leading casino
11 in America in terms of profitability, the number two. That
12 project, which will take about 18 months to build, will be
13 built out of existing cash flow. Also, there is existing,
14 unused credit facilities on that property of about -- in
15 excess of 50 million dollars. So that project is unto
16 itself. It has nothing to do with any other of our
17 properties operating or existing today or in the future.

18 With respect to the Las Vegas project, the Paris
19 project, the size of that project has been modified
20 substantially since -- or the cost of that project since
21 the first data was provided to you. The project is now
22 about a 300 to 320 million dollar project. Nevertheless,
23 that subsidiary alone is sitting on some 60 plus million
24 dollars of cash. So again, when you get to how we would
25 finance that project in the Bally structure, it would be

1 financed out of that subsidiary, Bally's Las Vegas, which
2 has its own cash to supply as equity. We already own the
3 land that it would sit on, which is valued at in excess of
4 65 million dollars. So to begin with, we can come to the
5 table with in excess of 120 million dollars of equity. To
6 finance the project in total would be about 300 million
7 dollars. The debt to equity ratio, I think, is very
8 attractive on what we finance separately. It has nothing
9 to do with this property, again, because that is completely
10 non-recourse to this.

11 MS. BOCHNOWSKI: Okay.

12 MR. VOWELS: Why is it that it went from 420
13 million to 320 million?

14 MR. HILLMAN: Again, that relates to the
15 operational strategy and the marketing strategy for what we
16 see happening in the Las Vegas market. It relates to
17 things like the positioning of that property at the center
18 of the strip, the new developments going on across the
19 street, New York New York, Monte Carlo, Bellagio, the
20 prospective expansion of the Circus Circus projects, and
21 where we see best taking our opportunity for profitability
22 and success on a staged project, such as some of our
23 competitors have done in that market. It's located
24 precisely next door to our existing 2,800 room facility,
25 Bally's Las Vegas Casino. So we believe building a 1,500

1 to 1,800 room facility in the first phase is a better way
2 to go in that market. We're very market focused at Bally.

3 MR. VOWELS: Okay. So the bottom line is it
4 makes more sense to spend 300 --

5 MR. HILLMAN: Absolutely.

6 MR. VOWELS: -- versus the 420?

7 MR. HILLMAN: Strictly a business and
8 profitability and return on investment decision.

9 MS. BOCHNOWSKI: Explain this then to me, because
10 you're talking about your cash flow. It sounds like
11 everything's kept pretty separate; each operation is
12 self-accountable, in other words. I have here Bally has
13 reported negative earnings in each year since 1989. Can
14 you explain that to me?

15 MR. HILLMAN: Well, Bally's earnings this year to
16 date -- well, for the first half of the year were at record
17 levels. We had earnings per share of nearly 30 cents a
18 share after the first half of the year. We have not yet
19 reported our third quarter earnings, but I can tell you
20 that they are very strong. The results for the company for
21 the year have been estimated by five major investment banks
22 for this year being at approximately 57 to 60 cents a share
23 earnings. That would interpret into some 25 million
24 dollars of net income. When you get to earnings estimates
25 on the company for next year, they expect a growth of some

1 10 to 15 percent. And beyond that, as much as \$2 a share
2 by 1998.

3 MS. BOCHNOWSKI: Why would you say in the past
4 that it would be strong earnings since you've had negative
5 earnings?

6 MR. GOLDBERG: Arthur Goldberg. May I comment on
7 that?

8 MS. BOCHNOWSKI: Please.

9 MR. GOLDBERG: I got to Bally's in 1990, and it
10 was an eclectic mix of companies that were there. We also
11 own a health and fitness company, the largest in the world,
12 some 350 health centers, 4 million members, etc. Because
13 of the accounting in that business and because of the vast
14 amounts of capital prior management had put into that
15 business, there was no way you could have positive
16 earnings. The gap effect on earnings when you have a
17 membership and installment sale business makes the earnings
18 completely distorted.

19 It was therefore about a year and three months ago we
20 made the announcement that we were spinning off our health
21 and fitness division. That spinoff is on target. The
22 papers have been filed. The record date on that will be
23 sometime this November, and the effective date will be
24 January 3rd. Because of the accounting and the gap basis
25 of how you have to account for revenue and member services

1 to be given over the contract period, the amounts of red
2 ink in that business were some 50, 60, 70 million dollars a
3 year when I got there. So we had decided we were going to
4 get rid of it. We didn't know how, where, and when. We
5 straightened that business out so that it now becomes
6 profitable.

7 But the main reason for the red ink over those years
8 is the gap earnings. The cash was always there. And when
9 I got there, I thought it was more important to run the
10 company for cash flow under the theory that earnings would
11 follow, and this year has proven that. We'll have record
12 earnings. And now that the businesses are separated and
13 much more focused, the investment public has been able to
14 watch what we're doing. We've had four or five investment
15 reports, which we'll provide them to you, over the last
16 month; and we just finished a 170 million dollar equity
17 offering, primarily to institutions.

18 So if I had to give you a reason why a novice like me
19 would also look at the numbers and say, "Hey," it was
20 really health and fitness. And it would take us a couple
21 hours to take you through the accounting treatise that that
22 business operates on; but suffice it to say, under gap
23 accounting if someone pays \$100, you can't take in all that
24 revenue, but you do have to recognize a lot of the
25 expenses. And we can give a reconciliation on that

1 whenever you'd like.

2 MS. BOCHNOWSKI: So in other words, are you
3 telling me that in those past years when you had negative
4 earnings reported for your company, if you had been able to
5 separate out the health and fitness portion, you would not
6 have had negative earnings? Is that what you're saying to
7 me?

8 MR. HILLMAN: Yes. The negative earnings were
9 largely due to the health and fitness business, prior
10 businesses also that we went through a restructuring on and
11 disposed of those businesses. The casino business has been
12 operational and profitable for Bally's for many years, and
13 highly profitable. As I said, the Park Place Casino alone
14 is, if not the most profitable casino in the world, then
15 number two. So the casino business has been highly
16 profitable.

17 One other very simple example of the earnings
18 turnaround of the company is reflected in our stock price.
19 And contrary to many of the other companies in our business
20 this year, our stock price has doubled this year in 1995
21 alone, and the credit ratings of our company have been
22 upgraded three times since Arthur arrived at Bally. So the
23 ratings services, Moody's, Standard and Poor's, Duffy
24 Phelps and so forth, have also recognized the very strong
25 financial position of our company. And the most recent

1 credit rating upgrade was just about a month and a half
2 ago.

3 MS. BOCHNOWSKI: Give me an example. Standard
4 and Poor's, what would their credit rating be for your
5 company?

6 MR. HILLMAN: Of who?

7 MS. BOCHNOWSKI: I don't care. Just give me one
8 of those.

9 MR. HILLMAN: Park Place is a double B credit
10 right now. In fact, I'm sorry; they're a double B plus.
11 Most of our casino properties, each of which have
12 separate -- and again, the structure of Bally's capital is
13 different than most other companies or business. Each
14 company operates with its own separate capital structure,
15 which in most cases includes separate publicly financed
16 debt. Park Place is an example as double B plus credit
17 rating; the same for Bally's Las Vegas; the same for
18 Bally's Grand in Atlantic City. And --

19 MR. KLINEMAN: The hundred -- go ahead,
20 Mr. Goldberg.

21 MR. GOLDBERG: The other point -- Arthur
22 Goldberg -- that I would add, the amortizations of this
23 debt over the next seven years are practically nonexistent.
24 We decided in '94, with the advantageous interest rates, to
25 refinance our debt, and therefore we have no amortizations

1 looking at us for the next, I think, seven years.

2 MR. HILLMAN: As I said, we not only got better
3 interest rates, but we have longer terms of our maturities
4 than most others in our industry.

5 MR. KLINEMAN: Okay. The 157 million dollars you
6 said you just placed within institutions, that was the debt
7 filing that was held up by the State of Nevada, is that
8 right, for a year?

9 MR. HILLMAN: No.

10 MR. KLINEMAN: No?

11 MR. HILLMAN: I have no -- I'm not sure -- we've
12 had no filings held up by the State of Nevada whatsoever.
13 The recent filing that we did and offering was an equity
14 offering of mandatory convertible preferred stock, which
15 resulted in 167 million dollars of net proceeds to the
16 company. It was an equity offering. Nevada -- what you
17 may be referring to, Mr. Chairman, is that one year ago,
18 Nevada gave the company shelf approval on any straight
19 equity common stock offering. This year they changed that,
20 upgraded that shelf approval for us to include all equity
21 and debt offerings for the company. So that would be the
22 same kind of a shelf approval that they give to, say, a
23 Mirage or Circus Circus or any other major gaming company.

24 MR. KLINEMAN: A year ago the state was
25 encouraging you to make equity type offerings --

1 MR. HILLMAN: Yes.

2 MR. KLINEMAN: -- rather than debt, is that not
3 correct? In other words, "Don't encourage more debt. If
4 you want to go out and get some equity in here, that's
5 fine, but don't encourage more debt."

6 MR. HILLMAN: I would certainly say that they
7 certainly were encouraging equity, and that's precisely
8 what we did. The recent issuance, as I said, resulted in
9 167 million dollars of new equity into the business, not
10 debt. The shelf approval process, just so you're aware,
11 means that we can go out into the markets without Nevada's
12 prior approval, and that's --

13 MR. KLINEMAN: It's just like the SEC shelf
14 approval.

15 MR. HILLMAN: Exactly, only the gaming regulators
16 in Nevada have their own separate process.

17 MR. VOWELS: Why did they restrict you in the
18 first place? You say now it's okay, but originally they
19 had to restrict you?

20 MR. HILLMAN: Well, I think the -- I wouldn't
21 look at it as a restriction in the first place. They gave
22 us initially the permission to go out into the markets for
23 debt -- I'm sorry; for equity without their prior approval.
24 We had no approvals prior to that. They gave us the one;
25 they then took us to the second stage.

1 MR. VOWELS: Did they not allow you to make
2 public offerings of the stock only, and then not public
3 offerings of the debt for a period of time?

4 MR. HILLMAN: Without their approval.

5 MR. VOWELS: Why didn't they give you the
6 approval right off the bat?

7 MR. HILLMAN: We only asked for the one approval
8 initially. We didn't ask for full approval. We only asked
9 for the one approval.

10 MR. VOWELS: Why?

11 MR. HILLMAN: Why? Because we thought we were
12 going to be going into the equity markets, quite frankly.

13 MR. GOLDBERG: Arthur Goldberg. In Nevada, we
14 have some 75 or 80 million dollars cash on our balance
15 sheet and a very reasonable debt ratio with a coverage of 2
16 to 1; so we had no reason to go into the debt markets
17 whatsoever. And it's a wholly owned subsidiary that
18 wouldn't be issuing new stock on its own, so most of that
19 was referred to at the parent level.

20 MR. HILLMAN: We had just gone through five
21 separate refinancings. We had no intentions of going back
22 into the debt market, so we made no request of them.

23 MR. VOWELS: All right. So there wasn't a need
24 for them to address --

25 MR. HILLMAN: There was no need. We intended to

1 go into the equity market. As it turned out, we went into
2 the equity market with what I think was a fairly leading
3 edge type of security, so we went back and got the approval
4 on this further aspect that covers everything.

5 MR. VOWELS: So if I can get the scenario
6 correct, you went forward, as you stated, without having to
7 deal with Nevada authorities. Then after a period of one
8 year, you decided to go full force on this, and that was
9 when you had to get their permission to go forward?

10 MR. HILLMAN: When we decided to go back into the
11 markets, yes, we went back and got their approval.

12 MR. VOWELS: All right. So at no time did they
13 restrict you to what you --

14 MR. HILLMAN: Never, never.

15 MR. KLINEMAN: Take me through the scenario from
16 day one, the Bally's Indiana, LP. Tell me what their
17 balance sheet looks like. With all due respect to your 102
18 million dollar check here, tell me what --

19 MR. HILLMAN: Well, Bally's --

20 MR. KLINEMAN: I think we've lost it, and I want
21 to know where it is.

22 MR. HILLMAN: It wouldn't be the first time.
23 Bally's Indiana Limited, LP at this point is capitalized
24 with those equity contributions that Bally's and partners
25 have made to bring the proposal forth and the application

1 forth.

2 MR. KLINEMAN: Well, equity to me means equity.
3 I am now learning, of course, that equity can be
4 subordinated debt and things like that. Tell me what
5 your --

6 MR. HILLMAN: Oh, what our plan is?

7 MR. KLINEMAN: Yes. What is your plan to fund
8 this? And you keep telling us how your subsidiaries stand
9 alone, etc., etc. So tell me what it looks like.

10 MR. HILLMAN: Very good. Our application
11 financials included a projection of the total project cost
12 of 102 million dollars. That 102 million dollar project
13 cost is anticipated to be funded effectively with
14 approximately 25 million dollars of equity and 77 million
15 dollars of what I will call, for your purposes, debt at
16 this time. However, that debt is backed up by the check
17 that you just received, and have lost.

18 MR. KLINEMAN: You don't have to rub it in.

19 MR. HILLMAN: Bally's will provide the funding,
20 in fact, in the form of 100 percent equity or debt to the
21 project, which would be intercompany, from Bally's parent
22 to the Bally's subsidiary, which is the limited
23 partnership; so that effectively what we are saying is that
24 we will raise debt for this project as we see fit and as
25 the financial markets present opportunities for us, but

1 that is irrelevant to the completion of this project
2 because we will build this project with our own money. We
3 will either bridge it or provide permanent financing with
4 our own money.

5 MR. KLINEMAN: There was some indication -- you
6 flashed on the screen some letter from LaSalle Bank, which
7 I've never seen. I don't know if that's part of our
8 filings or not. Tell me what that letter purports to be.

9 MR. HILLMAN: What that letter purports to be is
10 a letter from LaSalle Bank, who is our lead banker in
11 Chicago. They have confirmed our available cash and will
12 establish an escrow account related to this project in an
13 amount in excess of 100 million dollars at our request,
14 which means that we either have cash on hand in that bank
15 already of that amount or have given them access to other
16 cash balances we have in other institutions to establish
17 that account. So by picking up the telephone, we will
18 have --

19 MR. KLINEMAN: These bankers really know how to
20 write letters. That doesn't say a darn thing. "I'll
21 establish an escrow account for you if you bring me the
22 money." That's really what that letter says; nothing more,
23 as I read it.

24 MR. GOLDBERG: Mr. Chairman, Arthur Goldberg
25 here. If I can break it down to I think the point you want

1 to get it down to, we would intend to fund this with 25 to
2 30 million of pure equity; and if the debt markets were
3 advantageous, raise the rest in debt, which is a prudent
4 way --

5 MR. KLINEMAN: Outside debt?

6 MR. GOLDBERG: Yes, which is a prudent way to do
7 that.

8 MR. KLINEMAN: Yes.

9 MR. GOLDBERG: What we're saying to you is that
10 we don't want to make it conditioned on that. Debt markets
11 could change. Interest rates could go to 26 percent
12 tomorrow. God forbid, we could have a calamity in the
13 country or the world. We're saying, and the reason for the
14 102 million dollars is to say to you, that if we couldn't
15 go to the debt markets, we were prepared to establish an
16 escrow fund with that, to draw upon that escrow fund to
17 build this project. It wasn't mirrors, you know; it was
18 cash. And the letter from LaSalle Bank simply says that
19 the money is there. It's one thing writing a check, as we
20 all know. It's another thing not having the money. But
21 it's a simple financing project. It will be 25 or 30
22 million down, the rest financed. But if we couldn't go to
23 the third party public market to finance it, as some people
24 have had trouble over the years when the markets change, we
25 are prepared to put the money in and bridge that loan so

1 that there's no possibility that this project will not be
2 built on time, as we said it would be, with everything in
3 there not phased in. It's that simple.

4 MR. SWAN: May I ask a question on the balance
5 sheet? Included on your balance sheet is investment and
6 discontinued operations of some 290 million dollars. Can
7 you describe what those assets are?

8 MR. HILLMAN: That's the fitness business. The
9 fitness center business has been classified as a
10 discontinued operation since we announced the intended
11 spinoff. It's merely a generally accepted accounting
12 convention. And when we complete that spinoff, as Arthur
13 said, in January of this year, it will be treated as a
14 dividend to shareholders.

15 MR. THAR: How much cash on your balance sheet is
16 reserves required to be maintained by other gaming
17 jurisdictions for your casino operations?

18 MR. HILLMAN: I'm sorry?

19 MR. THAR: Cash on your balance sheet; is any of
20 that amount reserves required to be maintained by other
21 gaming jurisdictions?

22 MR. HILLMAN: In terms of where it says cage cash
23 amounts?

24 MR. THAR: Yes.

25 MR. HILLMAN: Yes, approximately less than 15

1 million dollars of cage cash reserves are required.

2 MR. THAR: Total or --

3 MR. HILLMAN: Total for the four operating
4 casinos right now. Mississippi will be established at
5 about a million dollars when it reopens in November.

6 MR. SWAN: I have one more question, if I could.
7 Could you just take me through the minority ownership, the
8 local ownership and qualifications of those people, please?

9 MR. MURPHY: This is Bernie Murphy. It is
10 essentially comprised of individuals that have a variety of
11 backgrounds. I guess I'm confined in some fashion to those
12 that have the largest percentages. Jeff Wadley, who you've
13 already heard from here today, is a CPA from Bourbonnais,
14 Illinois. Joe Franco also has 8 percent. He's here with
15 us today. He is an architect by trade. They have a
16 construction company also called Heritage Construction.
17 Daryl Meist is also an accountant from St. Anne, Illinois.
18 And then there's Alan Gull and Ann Marie Gull also here
19 today, who own together 7.2 percent. They are -- Mr. Gull
20 is from Munster, Illinois (sic). He is a businessman
21 there. He is in the restaurant business. Munster,
22 Indiana; I'm sorry. Munster, Indiana; excuse me. And of
23 course, we have a variety of smaller ownership, including
24 two of the principals here, Bill Schooler and Mr. Gardner
25 from Calumet. We have also taken an option back on 10

1 percent of that total amount of that 38 percent that we've
2 reserved for local participation for some potential
3 redistribution to Hammond individuals if and when it is
4 appropriate.

5 MR. KLINEMAN: Could you tell us how you got
6 together with these people from Illinois?

7 MR. MURPHY: How we got together with them?

8 MR. KLINEMAN: (Nodded head.)

9 MR. MURPHY: How did we get together with them?
10 Through a friend of mine and Arthur Goldberg by the name of
11 Gary Penrith. I retired from the F.B.I. early. Gary was
12 the special agent in charge of the Newark office, and he
13 brought this group to us. He's personally familiar with a
14 couple of these individuals.

15 MR. KLINEMAN: Were these individuals involved
16 before Bally became involved in Hammond?

17 MR. MURPHY: Yes, they were. And perhaps that
18 early involvement, maybe you ought to hear from Jeff, who
19 was involved very early on that process. Let me ask Jeff
20 to step up.

21 MR. WADLEY: My name is Jeff Wadley. We started
22 with the idea of a riverboat casino in Hammond long before
23 the legislation was ever passed. I'm from Bourbonnais,
24 Illinois, and I'm very familiar with riverboat projects in
25 Illinois and the Joliet area and so forth. And we had a

1 vision that the Milwaukee Clipper possibly could be a good
2 site for a riverboat casino. And about four years ago, we
3 approached then Mayor McDermott of the City of Hammond to
4 inquire about the prospects of possibly renovating the
5 Clipper and being able to use it for a connection to gaming
6 in the State of Indiana, which at that time, as you know,
7 talked about passing the legislation to allow gaming in
8 Indiana.

9 Slowly, over the last four years then, we've evolved
10 from that discussion to even a bid at one time on the
11 Clipper itself. Alan Gull was another -- represented
12 another group that bid on the Clipper. And then after
13 that, we got together, had discussions with Gary Penrith,
14 and he got us an appointment with Arthur Goldberg about two
15 and a half years ago. And it was from that meeting we
16 explained our vision. We've always had the idea of a
17 hotel. In fact, our early plans called for a hotel in
18 exactly the same spot it's at in the marina today that
19 we're presenting. We've varied from that because of
20 hearing different concerns and with different suggestions
21 that were put on us by the City and so forth. But
22 ironically, we're coming back to the same vision and the
23 same concept that I had four years ago for the project.

24 MR. MURPHY: This is Bernie Murphy again. I
25 should also add that Bally's did propose -- when the City

1 put out the Clipper for bids two to two and a half years
2 ago, we also submitted a bid for that. So to the extent
3 that we've had some interest in this project, this marina
4 development, it goes back that far as well. There was
5 later a marriage, as you heard from Jeff. But
6 additionally, what we've tried to do is move our local
7 partnership so that we not only have local participation
8 from the general area, but we've also tried to concentrate
9 it more and more into the Hammond area, which is why we
10 have now formed this relationship with Calumet and Rich
11 Gardner.

12 MR. KLINEMAN: You want to explain this 10
13 percent that you alluded to a minute ago?

14 MR. MURPHY: It's only the ability to
15 redistribute at a point in time -- if and when we would get
16 the appropriate authority from your Commission, from the
17 regulatory authorities, it's an option to take back 10 of
18 the 38 percent and redistribute if we felt it was necessary
19 to bring to Hammond.

20 MR. KLINEMAN: Okay. And what is the investment
21 of the 38 percent as it presently is structured?

22 MR. MURPHY: The investment is broken down into
23 the capital structure. The capital structure is -- the
24 common equity contribution is a total of 2 million 600
25 thousand dollars -- 2 million 630 thousand dollars. A

1 million 6 of that comes from Bally's Limited, 26,000 from a
2 Bally general partner, which would effectively run this
3 operation, and 1 million dollars from the Heritage folks
4 collectively.

5 MR. KLINEMAN: The Heritage folks are the 38
6 percent?

7 MR. MURPHY: Yes, sir.

8 MR. SUNDWICK: Is there any payment -- is there
9 any money put into this yet, the million dollars, or is
10 this sweat equity? We've heard sweat equity the last
11 couple of meetings.

12 MR. MURPHY: No, it's money.

13 MR. SUNDWICK: So you've got the money?

14 MR. MURPHY: Yes. Oh, you mean do we have the
15 money?

16 MR. SUNDWICK: Yes.

17 MR. MURPHY: Well, that may be --

18 MR. HILLMAN: Up to this point --

19 MR. SUNDWICK: Nobody's put any money in?

20 MR. HILLMAN: Commissioner, up to this point,
21 money has gone in to the extent that it's been needed to
22 fund things such as the application process, the experts
23 that we have obtained --

24 MR. SUNDWICK: Okay. Well, who puts money in?

25 MR. HILLMAN: Both parties.

1 MR. SUNDWICK: Tell us how much they put in.

2 MR. HILLMAN: I don't have the accounting
3 portfolio here. I can get you that. I don't have that
4 here.

5 MR. SUNDWICK: We have 38 percent ownership, and
6 we'd like -- I'd like to know how much money that is that
7 they've invested so far.

8 MR. KLINEMAN: Well, the total I hear is that
9 they are to put in a million dollars in cash, period.

10 MR. MURPHY: That's right.

11 MR. KLINEMAN: Whether that has been put up or
12 not, the total for the 38 percent is a million dollars?

13 MR. MURPHY: That's right. Well, it hasn't been
14 called, Mr. Chairman; it hasn't been called. But, I mean,
15 that's a standard operating procedure. In terms of the
16 money that we put into it, Bally's put -- I don't know our
17 total number at this point in time, but it's in the couple
18 hundred thousand dollar range. And I think that the
19 Heritage partnership itself has spent something in the
20 neighborhood of a hundred thousand of their own money.

21 MR. KLINEMAN: Okay. And what is the call on the
22 10 percent? What is Bally to pay for that to reclaim the
23 10 percent from the 38 percent?

24 MR. MURPHY: It's at our option. It's within 90
25 days after the award, and it's subject to approval and it

1 would call 10 percent back for a million and a half.

2 MR. KLINEMAN: Total?

3 MR. MURPHY: Right, right.

4 MR. KLINEMAN: So they'd end up basically, if you
5 exercise that, with 28 percent, 500 thousand dollars in
6 their pocket and 28 percent forever?

7 MR. MURPHY: Correct.

8 MR. MONTANA: It doesn't come to us. It goes to
9 other parties. It would be 1.5 --

10 MR. KLINEMAN: Well, but they've reclaimed -- I
11 mean, if these would be the Heritage group's --

12 MR. MONTANA: But other people would be
13 purchasing; others would be purchasing.

14 MR. KLINEMAN: Okay. The Heritage people would
15 then end up with 28 percent, 500 thousand dollars in their
16 pocket and 28 percent forever?

17 MR. HILLMAN: Yes, but there would have to be
18 willing buyers to purchase those shares from the local
19 buyers.

20 MR. KLINEMAN: Okay; okay.

21 MR. WADLEY: Mr. Chairman, there is a
22 clarification of that, though. The million and a half
23 would be for the entire 38 percent, then you take that on a
24 pro rata basis. So every small investor in the Bally's
25 Indiana, Limited Partnership would have an out of pocket

1 investment in the project, so it would not be -- a million
2 and a half would be a pro rata of the million and a half as
3 it equates to the 38 percent. So in essence, we would all
4 have money out of pocket in the project.

5 MR. HILLMAN: Nevertheless, there would have to
6 be willing buyers. This is not a forced amount of money
7 that they're going to be receiving back.

8 MR. KLINEMAN: It's not really a call. I
9 misspoke. It's an option of some sort, I guess.

10 MR. DODSON: Excuse me. This is Mark Dodson. I
11 just wanted to point out a clarification, if you will. The
12 one thing that's being overlooked here is the capital
13 structure of this 2 million 6; the difference between the
14 27 million that's going to be required and the 2 million 6
15 represents preferred equity. These guys were not looking
16 for gifts. The preferred equity comes back to Bally's
17 before they see any return on their equity whatsoever.
18 This is not charity and it's not sweat equity. We wanted
19 their involvement, and they were willing to accept the fact
20 that we were taking all the financial risks and therefore
21 will have priority returns.

22 MR. KLINEMAN: And your title of the company?

23 MR. DODSON: I am Vice-President of Planning and
24 Development.

25 MR. KLINEMAN: Planning and development. Okay.

1 And your point was? I'm sorry; I didn't follow that
2 completely.

3 MR. SUNDWICK: We missed the whole thing.

4 MR. KLINEMAN: Yes.

5 MR. SUNDWICK: We're just slow, you know.

6 MR. KLINEMAN: You're speaking basically as to
7 what the Heritage Group is going to end up with and what
8 percentage they get?

9 MR. DODSON: Right.

10 MR. KLINEMAN: Then you're saying that there is
11 some restriction on the profits or flow or whatever it is
12 that they would receive for their interest; is that what
13 you're saying?

14 MR. DODSON: That is correct. Arthur Goldberg
15 mentioned a number of 27, 25 million in equity, wherever it
16 ends up to be. We established a capital situation to where
17 the million dollars was something that they could afford to
18 invest. Therefore, we created the partnership as such for
19 their 38 percent, they put in a million; for our
20 corresponding, we put in a million 6. Now, all the
21 difference between that and the required amount of 27
22 million equity Bally's is funding, and Bally's will get a
23 priority return, meaning that principal fund and acceptable
24 return on that fund will be returned before they see any
25 profit distributions.

1 MR. KLINEMAN: Okay. Now we're into what I was
2 talking about before. What you've been calling equity all
3 along is not equity in my small mind sense. It is
4 basically part stock purchase and part a subordinated debt
5 of some sort?

6 MR. DODSON: It's preferred equity, pure and
7 simple.

8 MR. KLINEMAN: I never heard the word preferred
9 equity. Tell me what it is.

10 MR. DODSON: Preferred stock.

11 MR. KLINEMAN: Preferred stock.

12 MR. GOLDBERG: Mr. Chairman, Arthur Goldberg.
13 It's preferred stock. It's equity in the sense that you
14 understand it.

15 MR. KLINEMAN: Okay, preferred stock I
16 understand. Preferred equity, I just didn't understand the
17 concept.

18 MR. GOLDBERG: I think that one of the youngsters
19 at the left spoke a little bit and didn't understand. But
20 it's preferred stock.

21 MR. KLINEMAN: So the balance sheet's going to
22 have common stock and preferred stock?

23 MR. GOLDBERG: That's exactly right.

24 MR. KLINEMAN: Preferred stock obviously has a
25 preferred return, set percentage?

1 MR. HILLMAN: It has both a rate, a market rate
2 return on it, and a preference standing in terms of the
3 principal amount.

4 MR. KLINEMAN: Right; exactly.

5 MR. HILLMAN: That will give you all the
6 characteristics of preferred stock. It is preferred stock.

7 MR. KLINEMAN: Okay. And you don't know at the
8 present time what that preferred percentage return on that
9 22 million or 23 million dollars would be, do you?

10 MR. DODSON: Yes.

11 MR. HILLMAN: Yes, we do.

12 MR. KLINEMAN: You do? What is it?

13 MR. DODSON: It's 14.

14 MR. HILLMAN: If it's treated in the -- it's an 8
15 to 14 percent, depending on whether it's treated as equity
16 or debt to the facility. That's all it is. If it's
17 treated as equity, it will be --

18 MR. KLINEMAN: The maximum return would be 14
19 percent --

20 MR. HILLMAN: That's right.

21 MR. KLINEMAN: -- of 22 or 23 million dollars?

22 MR. HILLMAN: That's right.

23 MR. KLINEMAN: Anybody else have any questions on
24 these things?

25 MR. SUNDWICK: Yes, I just wanted to -- how did

1 you come up with your local investors? We've got more than
2 half of them from Illinois, and we've got the other half
3 from Indiana, and four of those from Munster. I'm just
4 trying to get the -- I think that somebody at the Gary
5 hearings told us they looked -- people called them. How do
6 these people get involved?

7 MR. WADLEY: This is Jeff Wadley again. It was
8 my vision, and then I talked to some partners of mine, Joe
9 Franco, who I've been involved in business with for some
10 time in Bourbonnais. And I got Joe on board at that time.
11 Daryl Meist is a friend of both of ours. He's in the
12 insurance business. He came on scene later. We formed an
13 investment group to pursue the idea of a boat operation in
14 Hammond. We knew early on that we needed a strong gaming
15 partner, which we feel Bally's is as strong as you can get.

16 And we also saw that we needed some local stewardship.
17 And when we went into the community, we talked with a
18 number of people, a number of attorneys, accountants, real
19 estate people, insurance, and we tried to determine what
20 kind of local citizens could meet the stewardship
21 situation. We contacted Calumet Construction Company,
22 which is a leading major contractor in the Hammond area.
23 And it was through Rich Gardner and Bill Schooler of
24 Calumet Construction that we got the names of the other
25 individuals that represent that group, with the exception

1 of Al Gull. Al Gull we met through our process early on
2 with the bid on the Clipper. That goes back to probably
3 three and a half, four years ago.

4 MR. MURPHY: And the 10 percent in reserve, if I
5 can use that term, is to yet further -- we think we have a
6 steward here in the --

7 MR. KLINEMAN: Mr. Murphy, you forgot to identify
8 yourself.

9 MR. MURPHY: Oh, I'm sorry. I'm Bernie Murphy.
10 The effort here is to yet further Indiana-ize, if that's a
11 word, the project, if it's acceptable to you, if it's the
12 right thing to do. So that's what we're doing. We think
13 we have good Indiana partners. But to the extent that we
14 can improve on that, we want to reserve that right. And
15 that's essentially what that does.

16 MR. KLINEMAN: Mr. Goldberg, I've been asking
17 this question of some of the applicants in various
18 locations. What kind of non-competition agreement will
19 your company enter into in regards to this location if
20 you're granted a license?

21 MR. GOLDBERG: Well, we've thought a lot about
22 the marketing issues here, and let me answer two parts of
23 it, if it's okay, Mr. Chairman. Oh, Arthur Goldberg. I'd
24 like to just briefly discuss our vision and then tie into
25 the non-compete and what we think should happen. But

1 essentially, we look at this as a market to hopefully
2 co-market with the three other casino venues. Mr. Trump
3 and ourselves market quite a lot together in Atlantic City
4 with fights and entertainment. And with the three venues
5 here, we think there should be some common situs events,
6 etc., to draw attention to the whole area. So we'll
7 compete with one another, I can assure you, but I think the
8 area must first be developed. But people oftentimes like
9 more than one casino experience, and that's what we like
10 with this strip here.

11 We are also very fortunate with the health clubs that
12 we operate. In our database, we have over 450 thousand
13 members in the Chicago area at our health clubs, over 250
14 thousand members -- excuse me; people in our data bank that
15 go either to Las Vegas or to Atlantic City. Plus if you
16 expand that market to the Detroit and Milwaukee area, the
17 number becomes over a million. So we look at the
18 non-compete -- we look at this being a totally segregated
19 area from Chicago, if and when downtown Chicago gets
20 gaming. We think this is a total niche market here that
21 will not be dependent on the convention business.

22 And I think Chicago's going to get gaming whether
23 Bally's wants it, whether Indiana wants it, whomever. I
24 think that decision will be made by independent folks for,
25 I guess, many reasons. We think that if and when Chicago

1 gets it, it wouldn't be a mistake; it would be a benefit to
2 have an operator having dual licenses with dual
3 capabilities to attract people. Early on in the gaming
4 business, for instance in Atlantic City, we have two
5 casinos right on the same boardwalk that we own. In Las
6 Vegas, we're building one right next to ours because of the
7 co-marketing. When gaming became a subject in
8 Philadelphia, we purchased land along the waterfront where
9 it was supposed to go -- there's been no legislation yet --
10 with the same thought: It's going to go whether or not we
11 want it to go there. We think there will be totally two
12 different markets. We think that's why the hotel is
13 important. That's why the convention center is important.
14 And you have two difference experiences. I think that if
15 you had a company that had presence in both markets, it
16 would be much better than not having any presence.

17 So, you know, to me, competition is wonderful. We're
18 going to have substantial capital resources here that we
19 can't float away. We're going to have a hotel you can't
20 float away. And I think we can't be afraid of competition.
21 We have to build for competition, and that's why this
22 project is developed as it is. As far as the markets,
23 these are two separate markets, and the characteristics are
24 such that our competition here I would like to think of the
25 three boats that are going to be on the lake.

1 MR. VOWELS: Does that mean if there was a
2 Chicago license available that Bally's would pursue it?

3 MR. GOLDBERG: Well, I think it would depend on a
4 lot of things when it became available.

5 MR. KLINEMAN: You would not be restricted from
6 that.

7 MR. GOLDBERG: Right. I think it would depend
8 on, as a businessman --

9 MR. KLINEMAN: You mean, no non-competition?

10 MR. GOLDBERG: Right.

11 MR. VOWELS: Okay.

12 MR. MURPHY: Mr. Chairman, let me add that one of
13 the strengths --

14 MR. GOLDBERG: Would you identify yourself,
15 please.

16 MR. MURPHY: Bernie Murphy. Thank you, Mr.
17 Goldberg. One of the strengths of Bally's is our marketing
18 capability, and a significant amount of that is based in
19 customer identification and knowing -- having a computer
20 database of people that frequent an area or frequent gaming
21 establishments. If there are 20 or 25 or 30 million people
22 visiting the Chicago gaming facilities that may come on
23 line and Bally were to have a fair market share of that,
24 there would be an automatic 5 or 10 million member database
25 that would be available to this facility that would not be

1 available if there were no relationship between the two.
2 So there are a number of marketing pluses.

3 MR. KLINEMAN: Yes, I understand your reasoning.
4 Thank you.

5 MR. VOWELS: That joint venture that you entered
6 into with Lady Luck in Mississippi was supposed to open in
7 the third quarter of '95. If it did open, how is it doing?
8 If it hasn't opened, why not?

9 MR. GOLDBERG: It will open somewhere around
10 Thanksgiving. The Mississippi River didn't cooperate. We
11 had a lot of problems with the level and there was a lot of
12 water, and we couldn't float the barge in at the time. We
13 could open it up, but it wouldn't be complete. It would
14 just be a boat sitting there with some slot machines on it
15 without the amenities that you see here, so we decided to
16 wait for Thanksgiving and open it up then. But
17 everything's on schedule there except for when we had
18 weather elements and water elements.

19 MR. KLINEMAN: Anything else from the Commission?
20 Mr. Thar?

21 MR. THAR: I just have a few quick answer --
22 questions. Is the plan before the Commission the one
23 that's known as the Bally Lakehouse plan, and the other one
24 is not for consideration; is that correct?

25 MR. BOYD: Yes.

1 MR. MONTANA: Yes, that's correct.

2 MR. THAR: During the course of the discussion of
3 the Bally's Lakehouse plan, particularly in terms of the
4 Corp of Engineers considerations and some of the other
5 considerations put forth by Commissioner Bochnowski,
6 reference was made to the plan having flexibility. What
7 part of the plan would you change to meet what you're
8 describing as flexibility? How do we know what we'd be
9 considering?

10 MR. BOYD: Kim Goluska.

11 MR. GOLUSKA: The two issues that have been
12 discussed with us for potential flexibility are the issue
13 of the boat ramps and the -- what was the other? I think
14 the location of the boat ramps and -- I'm sorry; the
15 Clipper, the location of the Clipper. Both of those are
16 flexible. I think it would depend upon the pros and cons
17 of that, and I think that really is an issue of getting our
18 technical folks and the City's and the Corp and
19 understanding what gives the best long-term plan and what
20 is the most expedient in terms of that.

21 MR. THAR: But it's just those two issues that
22 are flexible? Everything else is as we see it; is that
23 right?

24 MR. GOLUSKA: Well, those are the two issues that
25 have been identified. I mean, as other issues come up, I

1 think we'd have to understand what the issues are and see
2 if there's flexibility in them.

3 MR. THAR: When I first heard about the plan,
4 there was supposed to be a facade on the front of the
5 parking garage. Are we to understand now that that's
6 25,000 square feet of retail space?

7 MR. GOLUSKA: The facade on the front of the
8 parking garage actually then also, just for clarity, does
9 wrap around the sides and wraps back around to cover the
10 view from the community from the back. That's as was
11 planned. That was submitted to the Commission and is shown
12 here; as well as in that plan and the site plans that were
13 given to the Commission were shown at the base of that,
14 essentially only at the base level to energize the
15 pedestrian level along the harborfront the proposal for
16 25 -- I believe the drawings show 25 to 40 thousand square
17 feet of potential retailing, depending upon what the marina
18 wanted and what made sense seasonally and long term.

19 MR. THAR: What happens to the parking spaces
20 that retail space takes up?

21 MR. GOLUSKA: The parking spaces there are
22 minimal. We still are replacing the core base parking down
23 here, and also the entire garage is 2,300 spaces. So
24 you've got 600, I believe -- I'm speaking approximate
25 now -- you've got approximately 600 spaces to replace the

1 parking for the marina, and you've got additional 1,700
2 spaces, in excess of 1,200 as recommended by the City.

3 MR. THAR: But if I'm understanding you
4 correctly, 25 to 40 thousand square feet of the first floor
5 would be retail space rather than parking; is that right?

6 MR. GOLUSKA: Potentially, yes.

7 MR. THAR: Now, is the retail in the plan or not
8 in the plan? That's all I'm trying to figure out is what's
9 in the plan.

10 MR. GOLUSKA: The potential for retail is in the
11 plan as shown on the drawings. The intention of that is,
12 as I've said before, to attract local entrepreneurs. The
13 success of that would be a function of sitting down with
14 those local businesses and seeing if they're willing to
15 commit.

16 MR. THAR: So that square footage would be lost
17 for parking, though; is that correct?

18 MR. GOLUSKA: Potentially on the first level,
19 yes.

20 MR. THAR: Why do you say potentially?

21 MR. GOLUSKA: If it goes in there as all retail
22 space. There's also -- if we come back and spend time with
23 the yacht club folks and they would like to have a yacht
24 club tied into the hotel rather than have the entrance
25 here, then clearly that would not take away parking space.

1 If the people with the bird sanctuary would like to have an
2 interpretive center here, clearly that would be part of the
3 space. But I think what needs to happen here is this space
4 now needs to be worked with the people who would be
5 involved.

6 MR. THAR: So the specifics of the vision have
7 not been worked out; is that right?

8 MR. GOLUSKA: Specifics of the retail space,
9 correct.

10 MR. THAR: You have discussed a 55,000 square
11 foot ballroom. Where is that in the picture?

12 MR. GOLUSKA: The entertainment -- the hotel
13 tower here with its function space, and attached to that,
14 between it and the gaming boat itself, is the ballroom
15 space (pointing). It's essentially integrated into the
16 hotel, but that's 55,000 square foot. That would include a
17 2,500 seat facility for entertainment as well as a number
18 of other entertainment venues.

19 MR. THAR: So there's other things aside from
20 that? All right. Philosophically, I have a -- you present
21 a bit of a challenge, and that is from a philosophical
22 standpoint, who really has the ultimate say as to how this
23 marina should be developed? Is it the gaming company, is
24 it the City, or is it the sanction of this Commission? And
25 I just want to know where Bally's stands on that issue.

1 MR. GOLUSKA: I think the first issue is I don't
2 believe we can answer that. I think that's got to be an
3 answer coming from a combination of users of the marina. I
4 think where Bally's stands in its vision of Bally's
5 Lakehouse, as its name would suggest, is to create
6 something that will hopefully on balance provide an
7 exciting, active marina that is usable and a symbol of
8 pride for all those users, rather than just one or the
9 other.

10 MR. THAR: I don't have any more questions, Mr.
11 Chairman.

12 MR. KLINEMAN: Anybody on the Commission have
13 anything further? I guess we've come to the end now.
14 Thank you, Mr. Goldberg and Mr. Boyd. Do you have
15 something further?

16 MR. BOYD: Mr. Chairman, would you indulge us for
17 a minute to let Mr. Goldberg close with a short statement?

18 MR. GOLDBERG: That's okay. We've been here long
19 enough.

20 MR. KLINEMAN: I've been informed by the Deputy
21 Director that the bank will not cash your check, Mr.
22 Goldberg, without two pieces of identification,
23 preferably --

24 MR. BOYD: That was his closing statement, Mr.
25 Chairman.

1 MR. KLINEMAN: Thank you very much. You've done
2 a very informative session. We appreciate your comments.
3 We will now take a recess probably until about five after
4 3:00, at which time we will receive the Boyd presentation.

5 (Recess was taken at 2:45

6 p.m., and the proceedings

7 resumed at 3:10 p.m.)
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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY BOYD INDIANA, INC.

October 17, 1995
Commencing at 3:10 p.m.

1 MR. KLINEMAN: Back to order. We want to welcome
2 Boyd Gaming to our hearings. I suppose you'd have been
3 just as happy to avoid this and be done with this down in
4 Lawrenceburg, but we held you over, Mr. Boyd. So welcome.
5 And it's about ten after 3:00, and the Commission's all
6 present, so I think we're ready to proceed with your
7 presentation phase.

8 MR. REED: Thank you. Madam Bochnowski, Mr.
9 Chairman Klineman, distinguished gentlemen of the
10 Commission, Mr. Thar, and the professional staff, my name
11 is Ken Reed. I'm local counsel for Boyd Gaming, and I am a
12 prospective investor in Boyd Indiana, Inc., the applicant
13 for a riverboat gaming license in the City of Hammond. I
14 was born here, raised here in Hammond, and I've practiced
15 law here in this community in downtown Hammond for the past
16 34 years. My wife, Shirley, and I raised two sons here.
17 Kenneth William is a Purdue graduate and is now in his
18 third year of medical school; and John Patrick is an
19 Indiana graduate. I have one of each; it makes the game
20 interesting at the end of the year. And he's now in second
21 year law school.

22 In my half century of time plus here in Hammond, sadly
23 I've had occasion to witness the rather steady decay and
24 decline of this community. I can well recall when we had
25 three thriving department stores, four active theaters in

1 downtown Hammond, and we now have none. I've witnessed in
2 addition to that a very devastating out-migration of small
3 business firms and professional people with whom I became
4 well acquainted. I was sorry to see them go.

5 I think rather happily the State of Indiana, the
6 Legislature, and the Office of the Governor through --
7 acting through this Commission, have now shown us some
8 light, some hope of light at the end of the tunnel. The
9 effort is to revitalize our economy and to serve the best
10 interests of all the citizens of the State through the
11 advent of riverboat gaming and the benefits that it
12 hopefully will bring to this community and to the State as
13 a whole.

14 It is my belief that the mission for Hammond is
15 fundamentally twofold. Firstly, to keep all of the Hoosier
16 gaming dollars we possibly can here at home in Indiana.
17 Secondly, to attract as many of those Illinois dollars as
18 we possibly can back into our community. Each of you as
19 hard working members of this Commission, according to the
20 statute, have the very solemn responsibility to determine
21 which of these three applicants is best suited to
22 accomplish the mission; the mission being to promote the
23 economic development of the home dock area city, in this
24 case Hammond, and to serve the best interests of all of the
25 citizens of Indiana.

1 It is my belief that Boyd is the best choice. Boyd
2 Gaming has formed a team over the period of the past 20
3 years which now includes in this community a group of
4 teammates of Hoosiers from throughout the State of Indiana,
5 many of whom are present here today. Boyd has conceived a
6 truly outstanding plan for casino entertainment and a
7 gaming complex facility here in our community. I think it
8 will -- if it is not clear from earlier exposure, it soon
9 will become clear that Boyd certainly has the skill to
10 operate a quality facility and the seasoned marketing
11 experience to attract Illinois dollars and to staunch the
12 flow of Hoosier dollars outside of our community.

13 When first asked to join the Boyd team as a
14 prospective investor, now pretty close to two years ago --
15 and I suspect I had the same experience as other
16 investors -- it became quite clear early on that this was
17 not going to be a freebie, our best wishes notwithstanding.
18 Rather, we were going to be expected to purchase our
19 interest, should there be an interest to purchase,
20 depending upon your decision, through a down payment and
21 full recourse financing. It behooved all of us -- and I'm
22 not sure what everybody else did -- to investigate into
23 this potentially great thing or potentially very bad thing
24 from the standpoint of an investor. Wherever I went,
25 whatever I read, whoever I talked to, and there's a

1 multitude of material out there from the great financial
2 houses of the east, the gaming magazines, to people we've
3 met in Indianapolis, Tunica, Las Vegas, Henderson, Hammond,
4 the feedback is always the same when you address Boyd
5 Gaming: quality, competence, honesty, integrity. It's a
6 company started by Bill Boyd's father, and its reputation
7 has been much enhanced by Bill Boyd's efforts.

8 I would add another phrase that I would have coined
9 had I not heard it first from others concerning the Boyd
10 organization: They're very nice people. Their
11 relationship with their employees is, I think, the best
12 I've ever seen in my experience. It's a mutual
13 relationship of respect and affection. I think that's a
14 sign of a very healthy company. What this process has
15 become to be known as is the Boyd style. And I would
16 suggest to you as the study and investigation continues
17 here today that you will determine that that style
18 represents a set of values which fits very well with what I
19 have always viewed to be a set of values endemic to the
20 State of Indiana and the City of Hammond. I think it's a
21 very good fit.

22 Now, with your indulgence, at this juncture I would
23 like to invite your attention to a video presentation
24 highlighting this very extraordinary company. Thank you.

25 (Video presentation was shown

1 at this time.)

2 MR. REED: Madam Bochnowski, gentlemen, it is now
3 my distinct privilege to introduce to you a true gentleman,
4 Bill Boyd, Chairman and CEO of Boyd Gaming. Thank you.

5 MR. BOYD: Good afternoon. It's a pleasure to
6 see you again. I'm Bill Boyd, Chairman and Chief Executive
7 Officer of Boyd Gaming, the parent of Boyd Indiana. Let me
8 start by asking our prospective Indiana investors who are
9 here with us today to stand. Would you please stand, the
10 prospective Indiana investors, please.

11 (Said persons stood briefly.)

12 MR. BOYD: I would like to thank Ken and this
13 entire group of Hoosiers for their hospitality and warm
14 welcome to your state. They come from many different
15 vocational backgrounds and from all over the State of
16 Indiana. We enjoyed getting to know them in the past 24
17 months. We appreciate their insights into the state and
18 this market, and we look forward to having the opportunity
19 to develop this project with them as shareholders. I would
20 also now like to introduce our Boyd Gaming team and ask
21 them to stand as well.

22 (Said persons stood briefly.)

23 MR. BOYD: This group has worked diligently to
24 conceptualize and refine a first class plan for development
25 of our project. And with your approval, we will continue

1 our efforts to develop and operate our Sam's Town Lakefront
2 Casino. Let me say for all of us that it's a pleasure to
3 be here in Hammond, and we look forward to becoming a
4 contributing member of this community. Thank you all for
5 standing.

6 Let me start by telling you who we are, where we've
7 come from, and what we believe. My father, Sam Boyd, was
8 in the gaming business his whole life. He began as a
9 dealer and worked his way up to become one of the most
10 respected and prominent operators in our industry. Over.
11 20 years ago, I left the practice of law and joined him to
12 co-found our company. We raised capital. We hired
13 employees. We opened our first hotel casino. But most
14 importantly, we had beliefs and principles. We had a style
15 of operating our company, of dealing with people that is,
16 was, and always will be the heart and soul of our company,
17 and we believe the one thing that sets us apart.

18 We have condensed some of these characteristics into a
19 company credo which we call the Boyd style. There is a
20 copy of this along with the company's mission statement in
21 the materials we will leave with you. We discuss the Boyd
22 style with each and every new employee at their
23 orientation. It hangs on the walls of our properties for
24 all to see. It talks about how important it is to satisfy
25 customers. That's always been fundamental. It talks about

1 hard work and how no one is too important to pitch in.
2 That's the way we've done things from the very beginning.
3 It talks about not wasting money, but of reinvesting to
4 maintain and expand our markets. That's what's allowed us
5 to grow. And most importantly, it talks about integrity
6 and honesty and about having commitment and keeping
7 promises. That's what my dad and I felt should be the
8 cornerstone of our company. We will bring these values and
9 beliefs to Indiana. I promise you that.

10 Have the Boyd style principles contributed to our
11 company's success? We believe they most certainly have.
12 Let me give you some facts. Boyd Gaming Corporation today
13 is the third largest gaming company in the country. When
14 measured by number of properties, gaming space, and gaming
15 positions, we're bigger than Hilton's or Sheraton Caesar's
16 gaming operations. With the opening of Sam's Town Casino
17 in Kansas City last month, we now operate ten casino
18 properties with over half a million square feet of gaming
19 space, about 500 table games and nearly 14,000 slot
20 machines. As you can see, we're substantial. We invest
21 and we reinvest prudently. We operate efficiently, and we
22 have an excellent track record. We will bring our success
23 to Hammond.

24 As the Commission is well aware, the process of
25 developing and opening a casino entertainment facility is a

1 complex and exacting process. It is imperative that the
2 successful applicant have the expertise and ability to
3 conceive a workable plan, execute that plan on a timely
4 basis regardless of unforeseen obstacles, and commence
5 operations to generate the jobs, the tax revenue, and
6 economic development that the Indiana Gaming Act was
7 enacted to promote. The Commission has heard many promises
8 since your first hearing last year in Gary. Good
9 intentions are not enough. It takes creativity,
10 competence, and commitment, and your best indicator of
11 these abilities is proven experience.

12 Boyd Gaming has the proven experience in developing
13 complex projects, smoothly opening them, and successfully
14 operating them. We have learned in over 20 years of
15 developing and expanding ten casino entertainment
16 facilities what and how long it takes to do the job right.
17 That's why our promises may not be quite as optimistic as
18 some you may hear, but Boyd Gaming delivers on its
19 promises. We do not make a claim unless we know we can
20 live up to it. Boyd Gaming has a twenty year reputation
21 for promises made, promises kept, promises presented,
22 promises delivered. We don't boast; we don't bluff. We
23 simply get results.

24 Our company built its first project from the ground
25 up, and we've been building ever since. We are proven

1 experienced developers. We have built in difficult
2 circumstances. We have creative, dedicated design and
3 construction people who have a track record of completing
4 tough projects on time. We know what challenges we may
5 encounter on our site in Hammond, and our people have
6 already identified solutions.

7 Our financial success has allowed us to continue to
8 grow, reinvesting our profits in new projects and in
9 expansion. We are a publicly created company on the New
10 York stock exchange, and we have excellent ongoing access
11 to both equity and debt capital. We have a firm, absolute,
12 and binding commitment from banks to lend us 90 million
13 dollars and an additional 17 million from equipment
14 suppliers for development of this project. Our equity
15 contribution of 50 million dollars is available, ready to
16 go to work for us and the State of Indiana. There are
17 absolutely no financing uncertainties. The funding to
18 complete the project is already arranged.

19 We are a company of proven, successful, hands-on
20 operators. Our long history of profitability and growth is
21 your best evidence. We have grown in 20 years from one
22 property to ten. We know our customers, and we provide
23 them a great entertainment value. To do that consistently
24 over 20 years and in ten properties requires strong,
25 dedicated management, time tested policies and procedures,

1 and strict internal controls. We have succeeded in the
2 world's most competitive casino entertainment marketplace,
3 in Las Vegas. We market creatively. We continually
4 reinvest and improve our properties, and we do satisfy our
5 customers' expectations.

6 Our business strategy is simple: Enter a market with
7 the best facility, then keep expanding and bettering that
8 facility. We started as a very small group of very hard
9 working, dedicated people who genuinely enjoyed their jobs
10 and meeting the needs of our customers; and that hasn't
11 changed. We knew then and we know now that because we
12 treat our family of employees with dignity and respect,
13 they treat our customers the same way. I am deeply
14 grateful to our family of over 14,000 employees for all
15 their hard work, which has led to our success.

16 When my dad and I got started, Las Vegas was still a
17 very small town. We realized that we as business people
18 had to set an example to help our community to grow and to
19 prosper. My dad set a precedent by contributing both his
20 time and money. He founded what is now known as the Boys
21 and Girls Club of Las Vegas, which today has over 10,000
22 members. We have given to higher education and to
23 scholarship funds. And we have strongly supported many
24 others, including the Make a Wish Foundation, Habitat for
25 Humanity, and the United Way. We do still believe that we

1 have to set the example by giving back to the communities
2 in which we operate and do business. And Hammond and the
3 entire State of Indiana will be no exception.

4 I am proud of this heritage, and it remains a
5 cornerstone of our organization. When we look back at our
6 long history in this industry, one of our proudest moments
7 was in 1983 when, with a license revocation against the
8 former owners pending, we were asked by the Nevada gaming
9 authorities to assume the operations of the Stardust Hotel
10 in Las Vegas. They looked then for a group with the
11 highest integrity. We haven't changed. We envision Sam's
12 Town Lakefront Casino as an exciting, attractive, and
13 substantial complex. The facility will be first class in
14 every respect, with our traditional attention to detail and
15 insistence on quality.

16 We will create the right project for Hammond. I
17 promise you that. We have the financial strength to
18 complete the project. The funding to construct, complete,
19 and compete is fully provided for today. I promise you
20 that. We are proven skilled developers of extensive gaming
21 entertainment facilities. Boyd Gaming has the development
22 ability, the expertise to get Sam's Town Lakefront built
23 and open on time. I promise you that. We are a company of
24 hands-on, successful, experienced gaming operators. Our
25 over 20 years of profitability and our growth from one

1 property to ten is our best endorsement. We can operate
2 Sam's Town Lakefront efficiently and effectively. I
3 promise you that. We are aggressive competitors with
4 effective marketing programs. We have succeeded in the
5 world's most competitive casino entertainment marketplace,
6 Las Vegas. And we will bring our success to Hammond. I do
7 promise you that. And finally, I personally commit to
8 upholding the highest standards of ethics and integrity in
9 the manner in which we conduct our business in Indiana. I
10 promise you that.

11 And now I would like to introduce Bob Boughner,
12 Executive Vice-President, Chief Operating Officer, long
13 time employee of Boyd Gaming, and in my opinion, the best
14 in the business. And Bob will tell you more about our
15 planned project. Bob.

16 MR. BOUGHNER: Thank you, Bill. Good afternoon,
17 Mr. Chairman, members of the Commission, and staff. It's a
18 pleasure to be back here in Indiana and to participate in
19 today's presentation. In my capacity as Chief Operating
20 Officer, I'm involved in the day to day operations of the
21 company. But in addition, I'm also involved in the
22 planning and the execution of new development projects.
23 For the past 20 years, Boyd Gaming has been making
24 promises, to our customers, to the regulators, to our
25 shareholders, to our banks and other lenders, and to our

1 employees. And for 20 years, we have delivered on these
2 promises.

3 As a result of our competence and our commitment to
4 integrity, we've not only grown, but we've flourished,
5 we've prospered; and not with just one, but ten highly
6 successful properties in five distinct markets. This is
7 the track record of a superior developer and a superior
8 operator. We promise our customers an outstanding
9 entertainment value. And more importantly, we deliver, and
10 we deliver consistently. We know how to plan, to budget,
11 to staff, to control and run our business to satisfy our
12 customers, and do so at a profit over the long term. We
13 have the depth in our management ranks to mobilize and
14 train and assist with the opening of a new facility. In
15 the last two months, 300 employees from Boyd's nine other
16 properties have assisted in the opening of Sam's Town
17 Kansas City. We have operating policies and procedures
18 which have been refined and honed for over 20 years. Our
19 methods are proven. Our people are tested.

20 Boyd Gaming developed its very first operation, the
21 California Hotel, some 20 years ago. And as Bill
22 indicated, we have been expanding and renovating and
23 creating new operations ever since. We've successfully
24 developed over one half billion dollars in casino
25 entertainment projects in the past two years. We completed

1 our 500,000 square foot Mississippi project in Tunica,
2 which includes 75,000 square feet of floating casino space,
3 on schedule and in eight months, despite encountering the
4 wettest construction season and the worst ice storms in
5 nearly a decade. In Las Vegas, we completed the 32-story
6 Stardust Hotel tower and extensive casino remodeling in
7 just 52 weeks, while we kept the casino and adjacent hotel
8 rooms open and operating. And Sam's Town Kansas City was
9 constructed in just nine months.

10 We have extensive in-house design and construction
11 experts. And for this project, we have assembled an
12 outstanding team to help deliver on our promise to Hammond.
13 In terms of our architect, we have Mr. Lee Askew of the
14 nationally recognized firm of Askew, Nixon and Ferguson.
15 Their firm has designed over one million square feet of
16 gaming and hospitality related projects. We have Dougall
17 Design Associates, one of the premiere design firms in the
18 gaming industry. We have Thompson Engineering on our team.
19 Thompson has successfully completed marine engineering
20 projects for over 20 riverboat casino projects. Service
21 Marine Industries will build our boat. Service Marine has
22 built more casino riverboats than any other ship builder.
23 And last but certainly not least, Huber, Hunt and Nichols,
24 Indiana's largest general contractor. With the assistance
25 of these fine companies, we will construct and open on

1 schedule a full service casino entertainment complex called
2 Sam's Town Lakefront Casino. This will be a facility that
3 not only will Boyd Gaming be proud of, but the City of
4 Hammond and the State of Indiana.

5 Our project includes an 82,000 square foot
6 entertainment building, which is depicted in the rendering
7 immediately to my left (pointing), a 65,000 square foot
8 casino vessel, which is depicted to my right, 2,000 parking
9 spaces, and the required infrastructure and access; for a
10 total investment of 157 million dollars. And should market
11 conditions warrant, as we've done many times in the past, a
12 200-room hotel and additional parking would be constructed
13 at that time. Our signature design includes all the key
14 features necessary to create a full service casino
15 entertainment experience. Safe, well lit, convenient
16 parking; a comfortable, energized atmosphere with live
17 entertainment; a broad selection of retail shops and video
18 arcades; quality food and beverage operations; state of the
19 art gaming devices; and probably most importantly, a
20 friendly and caring staff.

21 Now, to give you a flavor for the pride, the quality,
22 and the attention to detail that have become synonymous
23 with all of our operations, we will show you a brief
24 videotape presentation. You're about to take a step into
25 the future.

(Video presentation was shown
at this time.)

MR. BOUGHNER: As you can see, Boyd Gaming builds for market prominence, not just market presence. Our project is well planned, it will be well executed, it will be built on time, and it will be a destination. That we promise you. We've defined a regional market for Hammond to include most of the City of Chicago, its suburbs, and northern Indiana. Boyd Gaming will work closely with the City of Hammond to utilize the overpass and roadway design that has already been developed, and Boyd Gaming will fund the cost of these improvements in their entirety and dedicate them to the City of Hammond.

Town Square, as depicted in the video, will be a soaring, enclosed space accented by theatrical lighting and lush landscaping. From the main entrance, patrons will pass the ticketing cruise reservations and guest service desk on the way towards the enclosed boarding area. Further down the promenade, you'll find the Great Buffet, the All American Bar and Grill, and the Final Score Sports Bar, concepts that are known and proven winners. Moving from the promenade to board Mary's Prize, our interim gaming vessel depicted on the rendering -- or rather the photograph all the way to my left (indicating).

Mary's Prize is a 254 foot by 78 foot, state of the

1 art casino vessel. It was built by Service Marine
2 Industries. This ship has three passenger decks with the
3 capacity for 1,650 patrons plus crew. Mary's Prize has
4 been designed to meet all coast guard requirements and has
5 already been certified by the American Bureau of Shipping
6 to operate on the waters of Lake Michigan. Our permanent
7 vessel, Maryanne's Prize, to be placed in service in the
8 spring of 1997, will expand our gaming positions to over
9 2,500.

10 Now that we have reviewed our project, I'd like to
11 address a few other issues, including our construction
12 schedule for Sam's Town Lakefront Casino. Given the scope
13 of this project, the infrastructure requirements, and the
14 limited confines in which to construct the best permanent
15 facility possible, we have developed an aggressive yet
16 realistic project schedule. The primary elements of this
17 construction program are outlined along on this schedule to
18 my left and depicted on the screen (indicating). Assuming
19 the timely completion of the condemnation proceedings by
20 the City, we will have our permanent facility and ship
21 ready for operations before the New Year's holiday at the
22 end of 1996. And as you might be able to see, the access
23 road and the bridge to the marina will take the longest
24 time to complete.

25 Now to speak to you about our overall construction

1 schedule, I'd like to invite Mr. Jerry Kerr, Executive
2 Vice-President of Huber, Hunt and Nichols of Indianapolis,
3 Indiana, the largest general contractor in the State of
4 Indiana. Jerry is a past president of the AGC and
5 currently serves on the board of the national AGC as well.

6 MR. KERR: Thank you, Bob. It's a pleasure as a
7 Hoosier to be here in Hammond. Huber, Hunt and Nichols is
8 the largest general contractor in the State of Indiana. We
9 are also the 29th largest contractor in the nation. We are
10 proud to be selected by Boyd Indiana as part of the Sam's
11 Town Lakefront team. Last year we completed projects in
12 excess of 600 million dollars. We specialize in large,
13 high profile, fast moving, complex projects. Boyd has
14 asked us to review the scope of this project and to give an
15 aggressive yet realistic time schedule. As you can see
16 from the activity schedule (pointing), we are convinced
17 that we can complete this project in 13 months. This is a
18 tight, restrictive site. And we have looked at this
19 project, developed a schedule, and we are committed to 13
20 months delivery.

21 I know other contractors may claim to be able to do
22 this faster, but I must tell you our firm has constructed
23 critical opening day projects such as the first pitch at
24 Jacob's field for the Cleveland Indians, the opening
25 kickoff for the Miami Dolphins at Joe Robi Stadium, and the

1 opening tipoff for the Chicago Bulls at the United Center.
2 And we will be ready for the first role of the dice at
3 Sam's Town Lakefront Casino on December 15, 1996. Thirteen
4 months is an ambitious, but do-able schedule.

5 We have with us today Tom Blackman, President of
6 LaPorte Construction, and Richard Siebolt, President of
7 Well Brothers Construction. They are part of our team and
8 provided input into this schedule. They are proven Indiana
9 bridge builders, and they will make this project their
10 highest priority. We have ongoing relationships with
11 members of the Indiana Associated General Contractors, with
12 the local labor unions. We have discussed this project
13 with Jim Strayer, President of the local building trades,
14 and we are confident we can meet Boyd's requirements
15 utilizing local Indiana labor. We promise to put Hoosiers
16 to work on this project.

17 The Boyd people are very savvy developers. They are
18 the kind of people we want to do business with. Boyd
19 understands what it takes to complete a timely project, as
20 they have delivered on their promises on all their
21 developments. The Boyd style will be good for Indiana. We
22 look forward to working with Boyd Indiana, the City of
23 Hammond, and the State of Indiana on this exciting project.

24 Randy Kett from our office, I, and the rest of our
25 construction team will be available for questions you may

1 have. Huber, Hunt and Nichols is committed to Boyd Indiana
2 and to the success of Sam's Town Lakefront Casino. Now to
3 continue this presentation, Bob Boughner.

4 MR. BOUGHNER: Thank you very much, Jerry. We
5 must tell you, though, that success in our industry means
6 much more and goes well beyond slick presentations and fast
7 track construction projects. We have 20 years of marketing
8 experience in our industry's most competitive casino
9 entertainment market, Las Vegas. We will compete in a
10 no-holds-barred manner. We have no existing regional
11 investment or market share to protect. We will enter this
12 market with aggressive, customer oriented marketing
13 programs.

14 The Chicagoland and northern Indiana market combined
15 is already a 750 million dollar annual gaming market. We
16 believe that a substantial part of that market is
17 attributable to northern Indiana. The goal of our
18 marketing efforts will be to retain those northern Indiana
19 customers here in Indiana and attract Illinois residents
20 and visitors to cross into Indiana because of the quality
21 of our amenities and the value and service we will provide
22 for those customers. To capture maximum market share in
23 this highly competitive environment requires a
24 comprehensive marketing strategy, extensive planning, and
25 outstanding, consistent execution.

1 But we don't judge our efforts based on the many
2 advertising rewards we have received. We let our customers
3 be the judge. In the recent exit polls conducted by two
4 independent research firms, Sam's Town customers in
5 Mississippi indicated their intention to return at 87
6 percent, one of the highest in the industry, and Sam's Town
7 Las Vegas, which has been open since 1979, those customers
8 indicated an intention to return at 97 percent. That's
9 customer satisfaction. In the four emerging markets where
10 we compete, we are number one in three of those markets.
11 And barely after one month of operation, we're already on
12 our way in Kansas City. Our record speaks for itself.

13 Our marketing efforts fall into two broad categories:
14 Retail marketing to stimulate trial and increased frequency
15 of visitation; and direct marketing to established and
16 premium players. Our retail marketing strategy uses a wide
17 array of techniques including broad, consumer based
18 advertising, be it television, radio, print, and outdoor as
19 well as targeted direct mail. In addition, we utilize
20 information kiosks in regional malls and also at major
21 special events. And here in Hammond, we will develop bus
22 programs and coordination with tour and travel operators as
23 well.

24 Our direct marketing techniques concentrate on
25 identifying and segmenting our customer base and utilizing

1 sophisticated database strategies to targeted, direct mail
2 offers. And although we'll have a spacious and large
3 capacity vessel, we will always reserve space on our most
4 popular cruises for our best customers. But to gain our
5 projected market share and achieve our projected revenues,
6 we anticipate that during our first year of operations, we
7 will invest over 10 million dollars in marketing programs
8 and another 10 million dollars in complimentaries to
9 further reward our customers. But our most effective
10 marketing program is to continually exceed our customers'
11 expectations of an outstanding entertainment value.

12 Boyd Gaming Corporation has 20 years of successful
13 operating experience. We build complex projects in tough
14 places. We finish them on time. For Hammond, Indiana, we
15 propose an extensive, attractive entertainment complex.
16 Boyd Gaming has proven marketing strategies and a fierce
17 desire to compete and lead in the casino entertainment
18 industry. We are experienced, innovative, successful
19 operators, developers, and marketers. We can bring our
20 proven success to Hammond. This we promise you.

21 Now I would like to introduce our Vice-President of
22 Human Resources for Boyd Gaming Corporation, Cathey
23 Shanklin. Thank you.

24 MS. SHANKLIN: Thank you, Bob. I want you to
25 know that I never pass up an opportunity to talk about our

1 company and the warm family atmosphere that our employees
2 help to create. We operate by a set of values known as the
3 Boyd style. Actually, we live the Boyd style. In part, it
4 reads: We're dedicated to getting the job done well, and
5 no one is too important to pitch in. We know it's nice to
6 be important, but to us it's more important to be nice, and
7 we are.

8 To care for our family of employees, we provide a
9 benefit plan which is recognized as the industry leader.
10 It is available to full-time employees after completion of
11 an initial introductory period. Our employees pay no
12 monthly insurance premiums for themselves or their
13 families. Let me tell you about our extensive benefit
14 plan. We offer medical, dental, prescription, vision care,
15 disability coverage, paid holidays and vacations, 401K and
16 stock ownership plans. In addition to all these benefits,
17 we also offer progressive employee assistance programs
18 which offer counseling and treatment programs for substance
19 abuse and emotional disorders for employees and their
20 families. Again, all this and no monthly premium.

21 There are also various company sponsored activities
22 including picnics, children's Christmas parties, and
23 employee recognition programs, along with many others. We
24 offer contributions to organizations, educational
25 institutions, and municipalities. We give our time and our

1 money to help those less fortunate than us.

2 Our jobs pay well. Not one job will be paid minimum
3 wage, and most jobs will pay well above minimum wage. The
4 average wage for our employees exceeds 20,000 dollars a
5 year, and even higher in tipped positions. We have over
6 600 different job classifications in our company. This
7 allows for opportunity to advance. Our strong promotion
8 from within tradition allows for advancement to the highest
9 levels of management. For example, Ralph Pernel started
10 as a security officer with our company almost 20 years ago.
11 Today he is our Senior Vice-President and Director of
12 Operations for the Nevada region. Monty Collins, who is
13 here today, started as a receiving clerk almost 19 years
14 ago. Currently, he is Senior Vice-President and Director
15 of Operations for our central region. Judy Campbell
16 started with us 17 years ago as a dealer. Today she is
17 Vice-President and General Manager of our Eldorado Casino.
18 Bob Newman, our Executive Vice-President and General
19 Manager of Sam's Town Las Vegas, began his career selling
20 change at the Eldorado Casino. These are but a few
21 examples of an experienced management team who started in
22 our company in an hourly position.

23 You see, hard work, initiative, a friendly
24 personality, and technical knowledge provide the recipe for
25 success at Boyd Gaming. Today we have over 14,000

1 employees in our company. Our new properties employ many
2 from the local labor market. Women hold 47 percent of the
3 supervisory and management positions. Minorities hold 24
4 percent of the supervisory and managerial positions. In
5 fact, a recent Forbes magazine article credited Sam Boyd,
6 Bill's father, as one of the first to hire African-American
7 dealers and admit African-American customers. Here in
8 Hammond we anticipate hiring 1,234 employees to staff Sam's
9 Town Lakefront Casino.

10 The Boyd style says that we will stand by our
11 promises, and we do. We have made a promise to involve
12 women and minority owned businesses. We will use our best
13 efforts to utilize 10 percent MBE and 5 percent WBE vendors
14 to supply our ongoing operations. In addition, we will
15 develop outreach programs in the community to inform
16 minorities and women of the potential opportunities and to
17 assist them in gaining the resources to compete for this
18 business.

19 I'd like to close with a quote from well known
20 management consultant, Peter Drucker. He says: "The best
21 way to predict the future is to create it." Here's hoping
22 you'll allow Boyd Gaming to work its magic in Hammond. I
23 promise you, you won't be disappointed.

24 It's now an honor to introduce our Senior
25 Vice-President and Chief Financial Officer, Ellis Landau.

1 MR. LANDAU: Thank you Cathey. And good
2 afternoon. It's nice to see you again and have the
3 opportunity to talk about Boyd Gaming Corporation and what
4 we think is the best project and best operator for Hammond.
5 I would now like to make some important points about
6 financial matters for your consideration. First, with Boyd
7 Indiana, there is no financing risk. No risk you won't
8 have the money to build the project we tell you we are
9 going to build. The funds to develop Boyd Indiana's entire
10 project in Hammond are 100 percent available. There is no
11 guesswork with us. The funds are all there.

12 On the slide, we show the sources and uses of funds
13 for our development in Hammond (indicating). First let's
14 look at the uses section. We have a 157 million dollar
15 development cost. This includes 15 million dollars to
16 fully fund construction of an overpass over the railroad
17 tracks and 26 million dollars for a first rate
18 entertainment pavilion, which is a significantly larger
19 expenditure for this facility than the other proposals
20 before you. It also includes 40 million dollars for a
21 gaming vessel, which is also a significantly larger sum
22 than the others before you. We will build the largest boat
23 with the belief that in areas where there is demonstrated
24 demand for casino entertainment, such as the Chicago area,
25 casino revenues are in direct proportion to casino

1 capacity. In other words, larger boats produce larger
2 revenues.

3 Now let's look at the sources side (indicating). A
4 group of banks made up of First Interstate Bank, Bankers
5 Trust Company, NBD Bank, and Bank of America have
6 absolutely, firmly, and by written contract committed 90
7 million dollars to Boyd Indiana for this project. I
8 already have sent a copy of the binding loan commitment to
9 Mr. Thar, so that would be available for your inspection.
10 Our equipment suppliers, primarily slot machine
11 manufacturers, will provide another 17 million dollars of
12 financing. We have agreements in place with slot machine
13 suppliers for 100 percent of their slot machines. The
14 remaining 50 million dollars required will be an equity
15 contribution from Boyd Gaming Corporation, Boyd Indiana's
16 parent. Last time we spoke, we put the 50 million dollars
17 three blocks from the place of our meeting. This time we
18 decided to have it as near as our telephone. Boyd Gaming,
19 either itself or through wholly owned subsidiaries, has
20 cash on hand or availability under existing loan agreements
21 for the 50 million dollar equity contribution. The money
22 is all there. There is no financing risk.

23 Next, I would like to mention our financial
24 projections. We are confident we can do the revenues we
25 have projected. To underscore our confidence, we will

1 build and provide the funds for the largest capacity boat
2 presented to you. Our goal is not just to hit our revenue
3 projections, but to exceed them and to maximize total
4 revenues, and that means maximizing tax revenues to
5 Indiana. When our permanent boat is in operation shortly
6 after opening, we project hosting an average of 10,000
7 passengers per day. This we feel is realistic, as the
8 current Chicago area gaming boats do close to this average,
9 with each of those boats having about one half the number
10 of gaming positions that we will have in our boat. With
11 those passenger counts, we project annual gaming revenues
12 of 219 million dollars with our large boat. This
13 translates into gaming taxes and boarding fees of 55
14 million dollars annually.

15 A portion of the gaming taxes and boarding fees go to
16 the City of Hammond, but that does not tell the complete
17 story as to the payments that the City of Hammond will
18 receive from Sam's Town Lakefront Casino. In addition to
19 substantial city revenue from the gaming tax and admission
20 fees, we will lease our site from and pay rent to the City
21 and its agencies. We will pay the Hammond Port Authority
22 for the use of the marina. We will pay for supplemental
23 police and security. We will create a charitable
24 foundation to benefit Hammond's charities. We will
25 dedicate the overpass, that we will pay for, to the City.

1 We will reimburse the City for its community impact study.
2 And we will purchase the Northern Indiana Public Service
3 Company property and donate it to the City for a bird
4 sanctuary and city lakefront park. We will give
5 substantially to Hammond, 155 million dollars in the first
6 five years alone, and more beyond.

7 In many ways, we will be a very good citizen to
8 Hammond. I promise you that. We want to be a positive
9 force in the Indiana business community with a dynamic and
10 growing business. I can tell you, and our track record
11 proves to you, that we will continually invest and reinvest
12 in our project. And because of that, no operator will
13 achieve higher revenues in Hammond than Boyd Indiana. Our
14 appetite for success is big, so we will not underachieve.
15 I promise you that.

16 Now let me address our financial performance and
17 describe to you a powerful track record. As you know, we
18 have a solid base of earnings from our longstanding
19 operations in Nevada. We own and operate six properties
20 there, which annually produce about 110 million dollars in
21 operating cash flow. We achieved our long-term success by
22 consistently employing proven operating strategies and by
23 reinvesting in our facilities.

24 When emerging gaming markets opened, we felt that we
25 could export our proven successful formulas to these new

1 locations, and we have done that with resounding success.
2 Let me explain. Our first emerging market property was
3 Sam's Town Tunica opened in May, 1994. It now includes the
4 largest hotel in the State of Mississippi, with over 500
5 rooms. We are the clear market leader both in facility and
6 in performance. In each of the five calendar quarters
7 since opening, our revenues have been greater than the
8 quarter before. These accelerating revenues have been
9 produced in the face of increased competition, and we
10 account for over 20 percent of the gaming revenue generated
11 in a market with seven properties, including formidable
12 names like Harrah's, Circus Circus, and Sheraton.

13 Our next opening and emerging market was in central
14 Mississippi where we manage Silver Star Hotel and Casino
15 about 60 miles northeast of Jackson. The second
16 Mississippi market includes Vicksburg, where four casinos
17 operate. Silver Star's gaming revenue has been running
18 nearly as much as all four of the Vicksburg casinos
19 combined. This property is very successful, expanding into
20 a clear market leader.

21 Next we opened Treasure Chest Casino in Kenner,
22 Louisiana, which is near New Orleans. Since September,
23 1994, when we opened, Treasure Chest has achieved the
24 highest gaming revenue each and every month among all
25 riverboat operators. Again, we're the clear market leader.

1 And finally, a month ago, we unveiled the beautiful
2 Sam's Town Casino in Kansas City, a first rate riverboat
3 casino with excellent non-gaming amenities including
4 outstanding restaurants and a state of the art sports bar.
5 We expect that property to become the clear market leader.

6 A track record of superior financial performance,
7 strong, consistent, long-term performance in the highly
8 competitive Las Vegas market, market leaders in emerging
9 markets. For superior, proven financial performance, Boyd
10 is the clear choice.

11 Now let's talk about financial strength: Making
12 money, having money, acquiring money, money to build and
13 develop, money to expand in good times, money to defend in
14 competitive times, money for staying power to honor
15 commitments should there be tough times. Boyd Gaming is
16 one of the financially strongest companies in the gaming
17 industry. Boyd is a big cash producer. We generate cash
18 with consistency and from diversified sources, insulating
19 us from the risks of having too much come from one
20 operation. For the year ended June 30, 1995, our latest
21 fiscal year end, Boyd Gaming produced 165 million dollars
22 of operating cash flow, and expectations for our current
23 year are in excess of 200 million dollars. We are one of
24 the biggest cash producers in the gaming industry. These
25 strong cash flows assure us that we can meet obligations,

1 properly maintain our properties, and expand our business.
2 These strong cash flows provide financial muscle, muscle
3 that will bring strength to our Hammond operations. Our
4 company's profits last year were very good. We earned 36
5 million dollars net income. That was an increase of 240
6 percent over our net income in the prior year. That was
7 the highest growth rate in income among the top 25 public
8 gaming companies reported in the past year.

9 Our return on shareholders equity, a key financial
10 measurement, was 20 percent, among the strongest in our
11 industry. How does the stock market value our company?
12 The market value of our stock on the New York Stock
13 Exchange is 840 million dollars. Boyd is among the more
14 valuable gaming companies. Boyd is a strong company, a
15 profitable company, a valuable company. That is what we
16 offer Indiana.

17 Another key indicator in identifying a financially
18 strong company is how they are perceived by Wall Street,
19 for it is that group that affords access to and determines
20 the cost of our capital. Boyd Gaming stock is recommended
21 by stock analysts because they like our company's people,
22 performance, and prospects.

23 Let me read you a few quotes. Donaldson Rufkin
24 Jenrette writes: "Boyd Gaming is already an industry
25 leader, with an exceptionally talented and highly regarded

1 management team." Barris Sterns writes: "The investment
2 community has been wary of Mississippi based operations,
3 but Boyd has done an outstanding job of differentiating
4 itself and earning very good returns in a tough market."
5 Montgomery Securities writes: "We continue to believe the
6 company has an excellent and deep management team, as
7 projects are well positioned for longer term." And Raymond
8 James and Associates writes: "There are few other casino
9 companies with just such a diverse base of operating
10 casinos, and we believe that the project success is
11 attributable to the management of the company and their
12 in-depth understanding of gaming patrons." The report
13 continues. "The existing management team is outstanding.
14 Boyd Gaming has had the fortune of building a large and
15 experienced management team in an industry which we believe
16 greatly lacks high quality management. In fact, we believe
17 that this places the company at a distinct advantage
18 relevant to many smaller operators." These are the types
19 of things said about a financially strong company.

20 And in the debt arena, let me show you how Standard
21 and Poor's, the leading independent credit rating agency
22 for corporate debt, views us. Boyd is double B plus, one
23 of the highest rated gaming companies in the industry for
24 credit quality, and the highest among the companies before
25 you in Hammond. Let me read a quote from Standard and

1 Poor's: "The company's quality and depth of operating
2 management, its consistent marketing strategy and proven
3 ability to succeed in the highly competitive Las Vegas
4 market give S&P comfort with the firm's expansive
5 strategy". That's what people who analyze the credit
6 quality of big companies think of us.

7 In summary, let me review the financial points for you
8 to consider. One, all the funds needed to develop the
9 project we have described are on hand or available through
10 firm, binding loan commitment letters or loan agreements.
11 There is zero financing risk with Boyd Indiana. Two, Boyd
12 Indiana will maximize revenue for itself and for the State
13 of Indiana. There will be no undersizing or walking away
14 from this investment. Our track record and our promise
15 stand behind that. Our financial performance tells a
16 powerful story. Market leader after market leader, we will
17 bring our winning team and winning formula to Indiana.
18 Four, we are among the few that are financially strong in
19 our industry. Financial strength supports initial
20 development, creates growth through reinvestment, and backs
21 up our promise through leadership and permanence in
22 Indiana.

23 Thank you very much. Now I'd like to turn the podium
24 back to Bill Boyd for some closing remarks. Bill Boyd.

25 MR. BOYD: Thank you, Ellis. Mr. Chairman,

1 Commissioners, Boyd Gaming has the best project. We have
2 the money in place. We have the people to make the project
3 work. But the most important quality we have to give is
4 integrity, keeping one's word, honoring promises to people,
5 to places, to ideals. This Commission has had many
6 companies stand before it and make many promises. As we
7 survey the landscape in Indiana today, it is clear that
8 Boyd Gaming is your best choice. I promise you that if you
9 select Boyd Gaming, we will make you proud. Thank you.

10 MR. KLINEMAN: Thank you, Mr. Boyd and gentlemen
11 and ladies. I guess we'll take our 15 minute break right
12 now, and we'll come back at 4:30 for the Q and A.

13 (Recess was taken at 4:15,
14 and the proceedings resumed
15 at 4:30 p.m.)

16 MR. KLINEMAN: Could we come back to order,
17 please. By the way, my compliments to the sound people.
18 You play some really nice music while we're gone. It's
19 almost an incentive for me to stay away.

20 (Discussion was held off the
21 record among the Commission.)

22 MR. KLINEMAN: Okay. You got elected moderator?

23 MR. BOUGHNER: I got the shortest straw.

24 MR. KLINEMAN: You should have guessed heads. I
25 guess I'll start off with the first question since we got a

1 little bit into it this morning. On the hotel issue, there
2 was an indication, a statement that if you found that it
3 was necessary to, you would build a hotel. Tell me where
4 you'd build your hotel.

5 MR. BOUGHNER: We have actually four options of a
6 location to construct our hotel. I'd like Alex Mooring to
7 answer the specifics on that. And that was a part of our
8 original submission was a phase two hotel.

9 MR. MOORING: Alex Mooring, Boyd Gaming. We have
10 actually, as Bob mentioned, four potential locations. The
11 parking garage will actually have footers which will allow
12 us to go up and over that, but there may be too much of a
13 public outcry with that, which we found in the past on our
14 first presentation in July of 1993. There is a -- Great
15 Lakes Inland Marine has some property that we have actually
16 had some discussions with, which is fairly close to the
17 marina. And then there's two parcels that are on
18 Indianapolis Boulevard: NIPSCO has a piece of property
19 that we have had discussions on, and American Maize has a
20 piece of property, all within a quarter mile of the site.

21 MR. KLINEMAN: And how would they be tied in with
22 the operation?

23 MR. MOORING: It would be remote, and we'd have
24 to -- we would actually have -- we're planning on frankly
25 having -- for additional parking, have parking that

1 would -- we would have remote vehicles that would drive
2 back and forth to the project.

3 MR. KLINEMAN: Just one more. If you say it was
4 in your original phase two project, how did it get dropped
5 out, or did it?

6 MR. BOUGHNER: No, it didn't get dropped out.

7 MR. KLINEMAN: It just wasn't in the phase one?

8 MR. BOUGHNER: It was not included in our phase
9 one.

10 MR. KLINEMAN: What do you see as the need or
11 lack thereof for a hotel today with that project up and
12 going? I mean, I'm not talking about today without the
13 project. Let's assume you got the license and you got the
14 project and it's up and going. Do you or do you not feel a
15 need for a hotel with our operation?

16 MR. BOUGHNER: We feel that a hotel would make a
17 significant difference in terms of accommodating the
18 overnight visitor, obviously. We don't see any reason to
19 have it right now on day one. But to try and predict the
20 future, I would say that very quickly we would want to
21 construct a hotel.

22 MR. KLINEMAN: Your market research would
23 indicate that this is just a day destination at the present
24 time, that there is no ability to generate a destination
25 type clientele, you know, small convention type and so

1 forth? I've seen the pictures of your facilities in other
2 places where they're massive as far as accommodating
3 conventions and meetings and so forth.

4 MR. BOUGHNER: Yes, we think that a hotel
5 operation and possibly the inclusion of some meeting rooms
6 would be a real plus for the market. In terms of its
7 overall contribution to gaming revenues, it will not
8 represent a significant part of the total gaming revenues.
9 Unless you get up into building 1,200 and 2,000 room
10 hotels, which rely almost exclusively on overnight
11 visitors, it's not going to make a significant difference
12 in terms of your overall gaming revenues. What it does do
13 is just gives you that other competitive advantage compared
14 to other operations. From our view, the type of hotel
15 product that we put in would be 200 rooms, which we
16 indicated in our original proposal, and they would be a
17 very nice room. The current product in the Hammond market
18 today is more of the motel type of a room, and we feel that
19 there is the opportunity to go to a hotel type operation.
20 There's no question about it.

21 MR. KLINEMAN: Okay. I guess I've belabored that
22 point enough. Anybody else?

23 MS. BOCHNOWSKI: Well, this is slightly switching
24 it. It looks to me as though you have pretty much stayed
25 within the guidelines that the City had proposed, correct,

1 on where your facilities will be located? What is your
2 feeling about the potential for traffic jams with all the
3 cars going into one narrow area to get into the parking and
4 get to the boat and so on?

5 MR. BOUGHNER: I feel that there will be --
6 during peak periods on peak cruises that there will be
7 traffic issues. I don't think there's any question about
8 that. In driving around this area today, I think there's
9 lots of opportunities to encounter those, and I don't
10 believe at any time that you have a significant number of
11 vehicles arriving at a prescribed time for a prescribed
12 appointment that you're going to be able to avoid all of
13 the problems associated with that. We've studied the plan.
14 We can manage the traffic.

15 MS. BOCHNOWSKI: If the City had not dictated
16 this particular plan, would you think there would be a
17 better plan?

18 MR. BOUGHNER: Unfettered access to all of the
19 real estate we see in front of us? We could have come up
20 with more creative solutions than the ones we've provided,
21 yes. But that opportunity was not offered to us.

22 MS. BOCHNOWSKI: I understand. Now, you have a
23 temporary boat planned. Will this overpass be ready at the
24 same time your temporary boat would be there? Are you
25 planning to actually start gaming activities before the

1 overpass is completed?

2 MR. BOUGHNER: Answering the second question
3 first, no, we would not have any temporary gaming
4 activities. We would not commence gaming until such time
5 as the overpass is built. The temporary boat, other than a
6 few minor modifications, has already been constructed and
7 would be here well in advance of the time it was needed.

8 MS. BOCHNOWSKI: So in other words, you would not
9 use it, though, until the overpass was completed?

10 MR. BOUGHNER: That is correct.

11 MS. BOCHNOWSKI: That is a traffic consideration,
12 also?

13 MR. BOUGHNER: We believe it's more of a safety
14 consideration, but certainly a traffic consideration at the
15 same time. Just to be sure that there's no doubt, we would
16 not open any gaming facilities until such time as that
17 overpass was completed.

18 MS. BOCHNOWSKI: Now, I've noticed that you've
19 budgeted money for police and security. Has there been any
20 discussions with the City any time -- it's my understanding
21 that there's a reciprocal agreement with the City of
22 Whiting regarding police and security and emergency support
23 services. Is any of that money going to go to help Whiting
24 provide these emergency services? Do you have any idea
25 about that? Has the City talked to you about that?

1 MR. BOUGHNER: I'd like Alex Mooring to respond
2 to that, please.

3 MR. MOORING: Alex Mooring, Boyd Gaming. No,
4 we've had no discussions with the City of Whiting in that
5 regard. We've talked with the representatives of the City
6 of Hammond. And that million dollars annually is for their
7 edification. I mean, if they're working with
8 multijurisdictional groups, that would be fine. But
9 basically, we're just providing the funds for that.

10 MS. BOCHNOWSKI: I'm just curious, and that is
11 something we'll ask the City of Hammond about. Okay. Now,
12 when you were talking about -- I'm kind of just going
13 through my notes. If somebody wants to follow up on any of
14 mine, go ahead. When you were talking about marketing, I
15 have a different figure than what you had talked about.
16 You had said 10 million dollars for marketing for the first
17 year?

18 MR. BOUGHNER: That's correct; 5 million of which
19 is included as pre-opening marketing, and then there's a
20 separate line item that refers to marketing. So when you
21 add the two together, that comes up with the 10 million for
22 the first year.

23 MS. BOCHNOWSKI: And then your annual marketing
24 expense would be 7.2 million; is that correct?

25 MR. BOUGHNER: I don't have a copy of that in

1 front of me. Could we verify that 7.2 million?

2 (Members of Boyd Indiana
3 panel reviewed documents.)

4 MR. SWAN: I could follow up with another
5 question, if I may, while he's looking for that answer.

6 MS. BOCHNOWSKI: Yes, that's fine.

7 MR. SWAN: When you were talking about the
8 interim boat, I didn't quite understand what period of time
9 that would be in operation. Could you clarify that for me,
10 please.

11 MR. BOUGHNER: Surely. The interim boat, which
12 is Mary's Prize, which is depicted in that photograph to my
13 left (pointing), would be in operation from the New Year's
14 holiday of 1996 until the spring of 1997. And since that
15 boat is not currently under construction, it would be hard
16 to fix an exact date, but I can tell you that we have a
17 comfort level of somewhere between the first of April and
18 the middle of May; but it would be during that time period.

19 MR. SUNDWICK: So you also believe it will take
20 twelve months to build the overpass?

21 MR. BOUGHNER: Yes, sir.

22 MR. SUNDWICK: Okay. What do you plan to do with
23 the Old Milwaukee?

24 MR. BOUGHNER: Well --

25 MR. SUNDWICK: I didn't mean to --

1 MR. BOUGHNER: It's been the subject of a lot of
2 discussion, generally speaking. If I could respond, and
3 not in an evasive manner, but to explain. We have
4 conceived this plan that figures the Clipper in and the
5 Clipper out. It is clearly our preference to figure the
6 Clipper out. We have developed a plan for access depicted
7 on those two renderings and site plans there and also
8 depicted in front of us here (indicating). It shows the
9 Clipper in.

10 Frankly, to show the Clipper out of the picture
11 creates a bit of an emotional response on some people's
12 part. We are prepared to move forward with the project
13 with the Clipper in. We have no use for it. I think the
14 problems associated with it were very adequately covered in
15 the prior hearing today. Our preference would be to have
16 it go away, and we would work with those to assist in an
17 orderly removal and disposition of that. We have some
18 funds allocated, I think a quarter of a million dollars, in
19 our line item budget to deal with that issue. And if it
20 requires more, then we'll have to step up to the plate.

21 MR. KLINEMAN: A small point on the interim boat:
22 I thought the representation was that it has been modified
23 to meet Lake Michigan standards, and your material there
24 says "will be." Which is it?

25 MR. BOUGHNER: It will be modified. The plan has

1 been developed. The plan itself has been approved by the
2 American Bureau of Shipping to allow for operation on Lake
3 Michigan. And at such time as Boyd Indiana were to receive
4 a go ahead from the Indiana Gaming Commission, those plans
5 would be implemented and that boat would be up here.

6 MR. KLINEMAN: So it hasn't been completed? I
7 got mis -- I was mistaken in understanding it had been
8 finished.

9 MR. SUNDWICK: I'm going to ask a question
10 because I think I know the answer, but Mr. Boyd -- I have a
11 lot of interest in local participation and ownership, and
12 Mr. Boyd had everybody stand up and be introduced. And I'm
13 assuming these are the same people that were part of the
14 program or your presentation in Lawrenceburg. I really
15 don't have many questions about them; if they are the same?

16 MR. MOORING: They are exactly the same.

17 MR. SUNDWICK: Thank you.

18 MR. BOYD: Did we determine a response to Ms.
19 Bochnowski's question?

20 MR. MOORING: Yes. Alex Mooring again. It's
21 annually -- after pre-opening, it's annually 7.2 million
22 dollars at a minimum, plus complimentaries of another 10
23 million dollars to a range of 10.6. So it's in the 17
24 million, 18 million dollar range.

25 MS. BOCHNOWSKI: Okay, because I was noticing

1 that your marketing expenditures are lower than the others,
2 but possibly that's because the comps weren't figured into
3 that?

4 MR. MOORING: We think 17 to 18 million dollars
5 is adequate for what we're trying to promote.

6 MS. BOCHNOWSKI: Okay. But the total -- I had 7,
7 so the total would be more like 17?

8 MR. MOORING: Yes, ma'am.

9 MR. KLINEMAN: Who is supposed to build your
10 permanent boat?

11 MR. BOUGHNER: Our permanent boat, which is
12 depicted here, would be built by Service Marine Industries
13 in Morgan City, Louisiana, and would come up here through
14 the St. Lawrence seaway.

15 MR. MILCAREK: How old is the interim boat and
16 what was it used for before?

17 MR. BOUGHNER: Some people build spec homes; some
18 businesses build spec boats. We built that boat, sir, to
19 accommodate our future needs. About a year and a half ago,
20 I believe, that boat was constructed. It's about a year
21 and a half old, and it has not been placed into service as
22 yet. But it is fully completed other than the installation
23 of the carpeting and the gaming equipment. And at such
24 time as we would be through with that, we would return it
25 to, hopefully, another location.

1 MR. MILCAREK: How would you feel about building
2 the boat on site in Indiana?

3 MR. BOUGHNER: We think that that would be an
4 extremely difficult task. I'll go one step further saying
5 we think it's very unadvisable. From everything that we
6 have been able to gather here, there is not the facility to
7 construct a boat here in Indiana, to get it done within a
8 reasonable period of time, within a reasonable cost. There
9 have been some suggestions of some firms who are in the
10 steel industry and so on, and they've never built a boat.
11 And I would suggest it's a little bit like selecting a
12 gaming company. We don't want to go out and do rookies.
13 We're interested -- we put together a team of experienced
14 professionals, and that would be our preference, absolutely
15 our preference. And the direction we would go is to go
16 with an experienced ship builder. It's too important.

17 MR. SWAN: Can I follow up one more time, please
18 on the Milwaukee Clipper. If per chance it was decided
19 that that boat should be moved, did I understand you to say
20 that you will underwrite the cost of that?

21 MR. BOUGHNER: Sir, what I said, we have budgeted
22 250,000 dollars. And if the cost grew to more than that,
23 we would step up to the plate to do that. I don't want to
24 say that that's an unlimited checkbook, but what I am
25 saying is that we think that that's probably a reasonable

1 cost to do that. If it went over that to some nominal
2 degree, we would certainly do that. We are prepared to
3 proceed with this project with the Clipper in place, with
4 the Clipper moved aside.

5 MS. BOCHNOWSKI: If the Clipper has to stay, it
6 would seem to me that you would have to do some renovations
7 to it to make it --

8 MR. BOUGHNER: Somebody would, ma'am, yes. It's
9 very, very extensive. The problems that were outlined
10 today we understand are very real, having had some
11 experience with some of the asbestos problems in older
12 buildings. I don't want to speculate as to what the scope
13 of work would be or what the scope of work would cost, but
14 I suspect that it would be very expensive to go ahead and
15 renovate the facility. And then you're faced with the
16 prospect of just what does it become, given some of the
17 constraints with inside of it. It would not be our
18 preference to renovate that facility. We wouldn't
19 participate --

20 MS. BOCHNOWSKI: That's not something that you
21 even thought about or included?

22 MR. BOUGHNER: We thought about it. We studied
23 it. We looked at it. We tried to look at it in great
24 depth actually. But our early-on conclusions were that
25 there was really no advantage to either our company or

1 really this overall project to do much with it.

2 MR. MILCAREK: Wouldn't the Milwaukee Clipper
3 further deteriorate and become an eyesore, detracting from
4 your -- would you have to paint it or put a sheet over it
5 or something?

6 MR. BOUGHNER: I suspect that it could. Yes, it
7 is a problem and it is an eyesore from our view. And
8 that's why it is our preference to have it removed and why
9 we've allocated funds to do it.

10 MR. MILCAREK: Would you have to disturb the
11 harbor to get it out?

12 MR. BOUGHNER: Excuse me, sir?

13 MR. MILCAREK: Would the harbor have to be
14 disturbed to get it out, or would you remove docks; or have
15 you given that any thought?

16 MR. BOUGHNER: Yes, we have. And Alex, could you
17 address that, please.

18 MR. MOORING: Alex Mooring. We have looked at
19 moving the Clipper. We've actually had discussions with
20 Mr. Ken Nolly, who is the Port Authority Director of the
21 City of Milwaukee who has expressed some interest in that.
22 But in direct answer to your question, we would actually
23 have to go back for a Corp permit and dredge around
24 underneath the Clipper because it's actually been
25 solidified with silt as well as riff raff in there to hold

1 it in place so it doesn't have any lake effect in there.
2 So we would actually have to get another Corp permit. We'd
3 have to get a towing permit from the Corp and actually tow
4 that back to Milwaukee. They're interested in the boat as
5 part of an overall riverfront complex that they have, where
6 it doesn't have to bear the whole cost of a project as it
7 does in the Hammond Marina. But they want it FOB in
8 Milwaukee.

9 MS. BOCHNOWSKI: They're not interested in buying
10 it, I take it?

11 (No audible response.

12 Several Boyd panel members
13 shook their heads.)

14 MR. KLINEMAN: It's the City that wishes the
15 Milwaukee to stay; is that where we are?

16 MR. BOUGHNER: Alex, could you address -- Alex is
17 our Clipper expert.

18 MR. MOORING: Alex Mooring again. I'm not sure
19 that the total -- I think a portion of the City want it to
20 stay, some of the city members. Some of the city liaison
21 people as well as some of the city members would be happy
22 to see it go, also. There's sort of a divided opinion. It
23 is on the National Historic Register. They have bought the
24 boat. They have a lease on it through February of 1996
25 with Lake Michigan Charters, so really they have to -- they

1 control that for the next five months or so.

2 But again, it would be -- we have not changed our
3 feeling. When we came to Hammond in July of 1993 and put
4 together our first proposal, we did not think that the
5 Milwaukee Clipper lent itself to a good gaming experience
6 for your customers, so we wanted to go ahead and get rid of
7 it. That was not well received at the time. And in the
8 two years that's passed since then, a few more people have
9 come around to our way of thinking, even within the City.

10 MR. MILCAREK: Are there any problems with the
11 overpass as far as the railroad right-of-way is concerned,
12 that you are aware of?

13 MR. BOUGHNER: Alex, please.

14 MR. MOORING: Alex Mooring again. We're actually
15 relying on the City and the City liaison people. As we
16 understand it at our last meeting last week, there are
17 still two potential problems, one with CSX and EJ&E,
18 actually the relocation of the EJ&E tracks. And that
19 agreement is, I believe, ready for signature. CSX perhaps
20 is still a problem. I have not talked to Mr. Bennett this
21 week to find out if anything further has happened. But the
22 responsibility of the City was to go ahead and deliver all
23 of that property and the condemnation of the ground so that
24 whoever the chosen developer is can proceed with the
25 overpass.

1 MR. KLINEMAN: Also there's a problem with Great
2 Lakes Marina, is that correct, who owns some of the
3 property someplace in that vicinity, or is that necessary?

4 MR. MOORING: I believe they are in the
5 condemnation proceedings right now. And I think that
6 the -- I'm not sure if a court date has been established
7 yet or not. They're in a matter of arriving at a monetary
8 amount for the condemnation, but the City, I think, has
9 actually planned -- they have implemented the condemnation
10 proceedings, so it's just a matter of economics now.

11 MS. BOCHNOWSKI: Now, it's my understanding that
12 you were ranked pretty high when the initial review was
13 done that narrowed down the list of applicants for the
14 Mayor to review. Do you have any idea why you were not
15 selected as the preferred developer as one of -- maybe one
16 of two preferred developers or one of three? What do you
17 think was the reason for your not being selected, since you
18 seem to be fitting into the City's plan? And I do
19 understand you were ranked high by the selection committee.

20 MR. BOUGHNER: Alex, please.

21 MR. MOORING: Alex Mooring again. One change
22 that we did make, we actually had our parking garage and
23 our hotel facility where Bally's showed their property, and
24 there was quite a bit of resistance to actually blocking
25 the lakefront view from the town. Other than that, we're

1 really not sure. We thought we were the best applicant, as
2 we felt in other places in Indiana we were the best
3 applicant.

4 MR. KLINEMAN: You came awful close.

5 MR. SUNDWICK: Since you made the move, that
6 didn't change anything? I mean, you thought the hotel --
7 you said a hotel and parking would be in the same place as
8 Bally's; you put it in the same place, and you changed
9 yours?

10 MR. MOORING: We have made a change in the hotel.
11 We think a hotel should be an integral part of the system.
12 Since then, we've talked to Smith Travel Research, which is
13 the major entity in the country that tells you how
14 properties are doing. And unfortunately, the nine
15 properties in Hammond, they're averaging only about 53
16 percent occupancy, a very low average daily rate which does
17 not give you an economic return. So we think that the
18 market needs to come forward before it justifies putting in
19 a hotel.

20 MR. BOUGHNER: This is Bob Boughner again. Just
21 to perhaps bring to closure the issue on the selection of
22 another competing company over Boyd, honestly we can't
23 really get into the size of the heads of the individuals
24 that made that judgment. We thought we put together a very
25 professional presentation. We, I believe, supplied all of

1 the answers to all of their questions. And ultimately, for
2 whatever their reasons or whatever their own particular
3 views, they elected to choose another competitor.

4 MR. MILCAREK: With the advent of a hotel in Gary
5 and possibly in East Chicago, how is that going to affect
6 you competition-wise if you don't have a hotel?

7 MR. BOUGHNER: In terms of our gaming revenues, I
8 don't really think that it will even have an impact on the
9 scene. The types and levels of visitation that we're
10 projecting here of 10,000 visitors, if we were to say that
11 we got all of those visitors -- in our plan, that would be
12 the case -- were non-hotel guests, that would mean we would
13 need zero hotel rooms. If 50 percent of those customers
14 were hotel guests, then we would need a substantial number
15 of hotel rooms. We honestly believe that a hotel project
16 complements the operation, but it is neither essential or
17 necessary to achieve the projected gaming revenues that we
18 have put forth, not in this particular environment when you
19 have access to so many millions of people on a drive-in
20 basis. It is not a necessary component. It is a nice
21 component and one that we would, as we indicated from the
22 very beginning, like to pursue.

23 MS. BOCHNOWSKI: What is your vision -- back to
24 the marketing. It seems like this is going to be a very
25 competitive area. Within a very short span, we'll have

1 four river boats -- or four lake boats. How do you plan to
2 either compete or work with these other boats to make this
3 a real strong market?

4 MR. BOUGHNER: Ms. Bochnowski, I think we need to
5 do both. I think we need to compete with them and work
6 together with them. The way that we analyze markets is
7 that that's a necessary component, where you have
8 competition and you have competitors. We would work with
9 them perhaps in terms of forming associations to resolve
10 common problems. We want to get as many dollars as we can
11 on the Indiana side of the border vis-a-vis the Illinois
12 side of the border. We would work with them in that
13 context. But obviously, each of the projects stands on
14 their own merit. That will occur in terms of pricing for
15 admission fees and boarding fees. That will occur in terms
16 of the types of limits that are made available to the
17 public. We compete in some rather tenacious environments
18 today, and we compete with our competitors, yet we bring
19 them to the table.

20 In Tunica, Mississippi, we formed a group in what we
21 call our casino strip area with two other competitors. We
22 compete for the same customers on occasion and compete for
23 different customers on occasion, yet we work together to
24 solve common problems to get people to, shall we say, our
25 end of Tunica. In Las Vegas, in downtown Las Vegas, we all

1 compete with one another, but we formed associations to
2 bring people downtown as contrasted with the strip. So we
3 would do both. We would compete with the other operations;
4 and at the same time, we would work together to bring the
5 dollars into this state.

6 MR. MILCAREK: In viewing the sites yesterday,
7 with Chicago being so close, it looked like possibly an
8 ideal place to bring people across on a boat. Has any
9 thought been given to that?

10 MR. BOUGHNER: Does anybody from our group have
11 any comments about that?

12 MR. MOORING: Alex Mooring again. Bob Nelson,
13 the current Port Authority Director, was just having that
14 conversation about the need for a courtesy dock for boaters
15 from the Chicago market to come down, because it's really
16 only 12 miles by water, so they actually could come down.
17 In terms of anything formal, no.

18 MR. SWAN: I wanted to ask a question about
19 average win used in the projections. I'm looking at \$63 in
20 your proposal, I think, average win; and I wanted to hear
21 your substantiation for that number and how that might be
22 used comparably with other forecasts that we might see.

23 MR. BOUGHNER: Bear with me; a little longer
24 answer perhaps than you might have wanted. In our
25 business, there are really two factors that affect how much

1 you win from a customer: that's time played and their
2 average bet. Time played in the cruising casino riverboat
3 business is a fixed amount. The cruise starts at 2:00; it
4 ends at 4:00. The cruise starts at 4:00; it ends at 6:00.
5 Now, there will be stayovers and so on; but those
6 admissions are factored into that when we up the passenger,
7 if you will, for a second cruise. So that one particular
8 variable is basically already established, the time played.

9 The next critical component of that is the average
10 bet, and the average bet is a function primarily of the
11 quality of the customer. We believe that the types of
12 facilities that we design and the types of facilities that
13 we are proposing for here would attract a quality customer.
14 We have a style of the way we operate our business, getting
15 close to our customers. We have a style of dealing the
16 game. We will deal as we do in many of the environments we
17 are in in emerging markets; we will have the best odds and
18 the highest limits. We are not afraid to take a bet.
19 That's going to attract other customers from existing
20 facilities. We're convinced of that. We've toured through
21 the existing facilities in the markets and seen 500 dollar
22 maximum bets. We'll have a 5,000 dollar maximum bet. So
23 to get to the issue there, we believe we will attract the
24 best customers. We will afford them the opportunity to
25 enjoy our facilities, and we think that that will mean or

1 result in a very high win per admission. Other operators
2 have different strategies for achieving that.

3 MR. SWAN: Excuse me. I just thought as a novice
4 that one might look at that and say that the return to the
5 passengers wouldn't be as high as it might be in a
6 competitive -- but I see; I don't understand the statistics
7 very well, do I?

8 MR. BOUGHNER: I would just mention one other
9 thing. As a matter of fact, in our industry, we view it
10 quite the opposite; that over time what the business has
11 taught us as a company is that the better the deal for the
12 player, the more players you have. And that ultimately
13 results in the most business. And we have some of the
14 loosest slot machines in the industry. And when you give
15 the player the opportunity, such as 10 times odds on craps
16 and single deck 21 games, those are what people who come to
17 these facilities are interested in. It's nice for them to
18 look at the pretty buildings and they'll admire your carpet
19 and they'll eat your hamburger and say it was good and
20 juicy, but ultimately what they're interested in is to have
21 a good time and to try and take a shot.

22 MR. KLINEMAN: You do have single deck blackjack?
23 Where were you when I could --

24 MR. BOUGHNER: Yes, sir, we do. We also have
25 double decks and shoes.

1 MR. SWAN: I have one more follow-up question.
2 Somewhere in my notes, Mr. Boyd made the comment that said
3 something like, "We start with the best facilities and
4 continue to expand facilities as we grow." You had
5 mentioned already phase two might include a hotel
6 somewhere. Are there any other expansion plans besides
7 hotel potential later?

8 MR. BOUGHNER: Yes, sir. In our original
9 submission, in phase two, we proposed a 200-room hotel and
10 an additional parking structure with a comparable number of
11 spaces to the facility that we have here.

12 MR. KLINEMAN: I want to understand the facility
13 you're going to build. What's on the first floor, second
14 floor, that sort of stuff? It looks like a very long,
15 narrow building because of the site constraints, and I just
16 wondered how it's going to operate.

17 MR. BOUGHNER: Okay; happy to explain that.
18 Perhaps the best way to do that, if you look at this first
19 drawing -- I shouldn't say the first. Let me point. I'm
20 good at a whole lot of things, but microphones aren't one
21 of them. This rendering straight here (pointing), the long
22 grayish building, actually represents the parking
23 structure, done substantially in accordance with the plan
24 that was conceived by the City. We have had Lee Askew, our
25 architect, who is here today and could answer specific

1 questions about that -- Alex, if you could point to the
2 parking facility.

3 (Mr. Mooring walked up to
4 front of room and pointed to
5 presentation boards as
6 requested.)

7 MR. BOUGHNER: That is the second story, if you
8 will, in the public area. If you would point to that,
9 please.

10 (Mr. Mooring did so.)

11 MR. BOUGHNER: Thank you. And moving over to
12 this, this rendering represents the first floor. All of
13 that space planning is done. You would pull up to the
14 facility, and you would have the opportunity to either have
15 valet parking or to self park in the garage. Self park in
16 the garage, a system of elevators and escalators would then
17 take you to either the top floor or the first floor, the
18 main entry floor of the building. The darker portion
19 colored in a rose color there is the back of the house
20 facilities necessary to support the whole operation. The
21 balance of that then consists of the public facilities that
22 we have available.

23 On the first floor, we have the Final Score Sports
24 Bar, which some of you may be familiar with from Kansas
25 City. We also have the restaurant called Juke's, which

1 would be a nostalgic restaurant themed around jukeboxes and
2 so on. And on the second floor, we have the Great Buffet,
3 which is approximately a 500 seat buffet, also modeled
4 after the facility we have in Kansas City. And then also
5 the steak house, the All American Bar and Grill. And then
6 we have also featured another restaurant for development
7 there as well.

8 In addition to all of those food and beverage
9 facilities, we also have a tremendous amount of circulation
10 space. In these types of operations, circulation and cuing
11 is an essential component. But rather than have the
12 patrons cue up like they were in a bus station, we're cuing
13 them up in a really attractive space so that that becomes
14 part of the experience itself. In our focus group studies
15 with customers, one of the most critical aspects of the
16 whole riverboat gaming process is the cruising portion
17 itself, relative to that waiting period to get on. And
18 what we have tried to do is incorporate space that takes a
19 little bit of the aggravation out of that process. Did I
20 answer your question, sir?

21 MR. KLINEMAN: Yes. And the other two are just
22 the docking facilities with or without the Milwaukee
23 Clipper (pointing)?

24 MR. BOUGHNER: Yes, sir. The one closest to your
25 backs represents keeping the Clipper in place, and the one

1 to Alex's right assumes that the Clipper is gone. And the
2 sole purpose of those two is to indicate the two scenarios,
3 assuming Clipper in and Clipper out.

4 MR. KLINEMAN: But the green portion then is not
5 your facility?

6 MR. BOUGHNER: That is correct. I would
7 ignore --

8 MR. KLINEMAN: That's where I got confused.

9 MR. BOUGHNER: These drawings that are
10 represented here supersede that aspect on those. The only
11 thing that's important on those is the location of the
12 Clipper.

13 MR. KLINEMAN: So it isn't as long and narrow as
14 it looks? I was looking at the green representations.

15 MR. BOUGHNER: That's correct.

16 MR. KLINEMAN: I guess I might as well ask the
17 non-compete question while we've got a little break in the
18 action here.

19 MR. BOYD: No; let me explain that. I do agree
20 with Mr. Goldberg today that a non-compete clause should
21 not be necessary at all. A couple of examples of that: In
22 downtown Las Vegas, as Bob mentioned, we have two
23 facilities that compete directly with each other. They do
24 very well. In fact, there's a lot of advantages. We think
25 that it could very well be the same here. Also, in Sam's

1 Town Tunica, in Tunica County, Mississippi, our experience
2 has been that we have done better as new places have
3 opened. Our revenues have increased as new places have
4 opened. The markets have expanded. The Tunica market is
5 over a 600 million dollar market. There's presently, as I
6 understand it, about a 750 million dollar market in Chicago
7 and northern Indiana. We have seven places in Tunica.
8 It's a million dollar market. That general market is a
9 million people market. This is about an 8 million people
10 market, so we think there is tremendous room for expansion
11 and growth in this market and that we could -- if we would
12 have a competing operation, that we could turn that into a
13 plus.

14 MR. KLINEMAN: I guess I was sort of buying into
15 your -- the gentleman who said that they had been talking
16 with the port authority people on if they could run a boat
17 down from Chicago in 12 minutes or something like that.
18 You know, you're obviously entitled, as Mr. Goldberg is to
19 his feelings. The only quarrel I would have with the
20 illustrations of Las Vegas and/or Tunica is that they are
21 all in the same area, same state, same -- I mean, whereas
22 between here and Illinois, there's a little more
23 competition between the states than there is there.

24 MR. BOYD: I think the important thing to
25 remember, though, is the size of the market. This

1 obviously is one of the best markets in the country, and
2 that, we think, indicates it would not be -- there's so
3 much room for competition, it's going to be many, many
4 years, in our opinion, before you would ever reach the
5 level where that competition would be meaningful.

6 MR. KLINEMAN: So the answer's no, right?

7 MR. BOYD: Right.

8 MS. BOCHNOWSKI: You outlined some of the great
9 benefits of being a full-time employee, and I think you
10 mentioned the percentage that are full time employees, but
11 I did miss that. And also, just here locally you had 1,234
12 new jobs; and what percentage of those would be full-time?

13 MS. SHANKLIN: Cathey Shanklin. Generally what
14 we use is a 90 percent average for full-time employees.
15 And so what that means is here in the Hammond market, that
16 would equate to about 1,100 employees that would be
17 full-time.

18 MS. BOCHNOWSKI: So these would be people who
19 would -- after your initial period would be entitled to
20 your full benefit package?

21 MS. SHANKLIN: Yes. And for full-time in our
22 company, that's over 30 hours per week worked.

23 MS. BOCHNOWSKI: What is your initial time
24 period? How long do they have to be employed to be
25 eligible?

1 MS. SHANKLIN: Cathey Shanklin. Actually, what
2 we do in our new markets is we reduce the initial waiting
3 period. Generally in the Las Vegas market, it's after
4 1,000 hours of work, which is equivalent to six months of
5 employment. What we do is we basically cut that in half
6 to -- the first of the month following 520 hours worked is
7 what we use.

8 MS. BOCHNOWSKI: First what now?

9 MS. SHANKLIN: 520 -- it's the first of the month
10 following 520 hours worked.

11 MS. BOCHNOWSKI: Oh, okay; got it. All right.
12 And then I understand your plan for that bird sanctuary is
13 simply to purchase it and turn it over then so somebody
14 else would do whatever they felt was necessary with that?

15 MR. MOORING: Alex Mooring. Yes. In our
16 negotiations with the City, we indicated that we would
17 purchase the property and donate that to the City. And as
18 I say, they originally were thinking about splitting that
19 property, half for a public beach and the balance for a
20 migrant bird tract.

21 MS. BOCHNOWSKI: Do you know why NIPSCO is not
22 donating that to the City?

23 MR. MOORING: We think that's an excellent
24 question.

25 MR. MILCAREK: Will you charge an admission?

1 MR. BOUGHNER: I'm sorry; I didn't hear the
2 question.

3 MR. MILCAREK: Will you be charging an admission?

4 MR. BOUGHNER: Yes, sir, we would be charging
5 admission.

6 MR. MILCAREK: What will that be?

7 MR. BOUGHNER: I can't predict what would happen
8 in the future, but I can ask Alex to respond to what we've
9 put in our proposals.

10 MR. MOORING: What we've said initially is that
11 we would try to balance the cost that we're paying out to
12 the State and to the port authority. So we're looking at
13 an average of \$4 admission charge, which is what we're
14 actually paying out. So we're looking at a revenue neutral
15 concept.

16 MR. BOUGHNER: I would add, sir, that, again,
17 probably that average would be a function of supply and
18 demand. On Friday night's 8:00 cruise and Saturday night
19 from 4:00 p.m. until perhaps 2:00 in the morning, that
20 number might be higher; and Monday morning at 10:00, that
21 number might be lower. But it would really be a function
22 of supply and demand.

23 MR. KLINEMAN: Are you going to charge for the
24 parking in your garage, the self park?

25 MR. MOORING: Alex Mooring, Boyd. No, we have no

1 charge for parking. And frankly, at Boyd, we don't charge
2 for parking at any of our ten properties.

3 MR. THAR: I'm going to ask you a few questions
4 about your temporary -- interim boat; excuse me. It is not
5 presently lake certified; is that correct?

6 MR. BOUGHNER: It is not presently lake
7 certified; that is correct.

8 MR. THAR: Under the statute since it's been
9 amended, we cannot give a license to a group that would
10 find it impossible or very difficult to cruise. Are you
11 assuring this Commission that the interim boat would be
12 able to cruise on Lake Michigan?

13 MR. BOUGHNER: Yes, sir; unequivocally,
14 absolutely.

15 MR. THAR: Now, during the course of the
16 background investigations, there's been some -- I believe
17 some issues have come up about your cruising encounter.

18 MR. BOUGHNER: Loren, would you want to address
19 that?

20 MR. PIEL: Loren Piel with Boyd Gaming.

21 MR. THAR: The question with regard to that is
22 how can we be assured we won't have similar issues here in
23 Indiana where our legislature has been much more definite
24 in terms of the need to cruise than they have in Louisiana?

25 MR. PIEL: I think the best answer to that is for

1 me to tell you a little bit more about what the problem has
2 been down in Louisiana. Under Louisiana law and maritime
3 law, the captain of the vessel is responsible for the
4 safety of the passengers, the crew, and the vessel. Once
5 the captain makes a determination that there would be some
6 risk because of weather conditions or water conditions, he
7 is entitled to cancel the cruise. The boat remains docked,
8 and he files a certification that explains the reasons for
9 the cancellation.

10 What we've run into down in Louisiana is that there is
11 not -- the Louisiana gaming authorities have not set
12 guidelines yet for what reasons are acceptable for not
13 cruising. Specifically with respect to weather, with wind
14 conditions and conditions on the water, there aren't any
15 set guidelines. So there's been some question about the
16 judgment that's been made in cancelling cruises, and that's
17 been an industry-wide problem which is being addressed now.
18 We feel that once those guidelines are set, that issue will
19 no longer occur.

20 MR. THAR: Well, I want to follow that up just a
21 little bit more because we understand that there's been a
22 difference of opinion; at least the Louisiana authorities
23 may think that you're taking advantage of the situation.
24 The posture here in Indiana is that you cruise unless you
25 meet the statutory requirements set by legislature, because

1 they have now eliminated our ability to make any more
2 definite rules on when the boat can stay here. So what the
3 assurance is that, for instance, even the interim boat,
4 which is presently not lake certified, would be a boat
5 capable of cruising under all circumstances except those in
6 the statutes.

7 MR. BOUGHNER: Mr. Thar, let me address the
8 second point first, and that is that the boat, Mary's
9 Prize, will be certified by the American Bureau of Shipping
10 to cruise. The plans have already been approved by them.
11 And once they are completed, that boat will be capable of
12 cruising without any problem on the lake.

13 The first issue with respect to what the guidelines
14 are, if I could continue to comment about the issue in
15 Louisiana, is that the captain there is charged with the
16 responsibility of determining what weather conditions would
17 be suitable for taking the boat out. Yes, there have been
18 differences of opinion, and we don't believe that the
19 operator of the marine services for the riverboat has taken
20 advantage of that. The absence of clear cut guidelines has
21 been the problem. Certainly, we understand the intent and
22 the letter of the regulation that's spelled out here in
23 Indiana and absolutely would comply with that.

24 MR. THAR: You understand, to re-emphasize my
25 point, we can be no more definite than what the Legislature

1 has said. They've removed our ability to be any more
2 definite. So you're saying you'll be able to meet that
3 statute?

4 MR. BOUGHNER: Yes, sir.

5 MR. THAR: Thank you.

6 MR. VOWELS: The investigation here reveals that
7 as of September 22, 1995, Treasure Chest Casinos received
8 30 citations in Louisiana for continuing to gamble while
9 not cruising. Is that a result of what you'd indicated, 30
10 separate citations? And if you could tell me over what
11 period of time, and is it the same captain each time that
12 was involved in the citation?

13 MR. BOUGHNER: Loren, please, if you would
14 respond to that.

15 MR. PIEL: Sure. Loren Piel again from Boyd
16 Gaming. There are actually -- there are two different
17 stages involved in that process in Louisiana. There have
18 been six notices of violations which have been issued. A
19 notice of violation is accompanied by the assessment of a
20 fine. In addition, there have been 39 instances where a
21 violation or inspection report has been filed. That report
22 is filed by a state trooper. It's filed with his superior
23 officers and a decision is made based on that report
24 whether or not to assess a fine. We've been assured that
25 in each of those 39 cases where an inspection report has

1 been filed, there is no current intent to file a notice of
2 violation of fine, so there are only actually six pending
3 violations or citations.

4 MR. VOWELS: Are they all gambling while not
5 cruising allegations?

6 MR. PIEL: Yes; yes, they are.

7 MR. VOWELS: And is it the same riverboat captain
8 on that ship each time; do you know?

9 MR. BOUGHNER: I don't know the answer to that
10 question. I don't believe so. We have several cruises a
11 day, and these violations have occurred at different times
12 of the day, primarily in the evening hours.

13 MR. VOWELS: Okay. Because there's an allegation
14 here that a ship captain refused entry into the pilot house
15 by the state police gaming agent, who was accompanied by a
16 maritime specialist. I mean, is this some personality
17 problem that's going on between the gaming agents and this
18 riverboat captain? And if so, is this riverboat captain
19 going to be manning your ship here in Hammond? I mean,
20 this is a problem --

21 MR. BOYD: Certainly.

22 MR. VOWELS: -- because as Jack has said, the
23 Legislature can't be any more clear about what their
24 attitude is about these boats going to cruise. And we must
25 be assured that we're not going to see similar problems

1 here, whether these allegations are groundless or not. The
2 number of times there's been allegations or where the
3 riverboat captain will not allow entry into the pilot
4 house, something's going on here.

5 MR. BOUGHNER: Yes. I'd like to address, I
6 think, as many of those points as I can. Number one, I
7 want to reassure you that we absolutely understand the
8 intent and the letter of the regulation and absolutely will
9 comply with that. Secondly, I don't believe that those
10 occurred all on one ship captain's watch, if you will.
11 Those would be highly unusual for that to be the case. And
12 then lastly, it is my understanding that in that one
13 particular instance where access was refused, the person
14 did not identify themselves appropriately.

15 MR. BOYD: To be sure that there's no
16 misunderstanding, all of the riverboats in the New Orleans
17 area have received similar citations because of the captain
18 saying that it's been too windy, for example, to sail, that
19 the wind was at 12 knots; and the Gaming Commission -- or
20 the state police, I should say, saying they didn't think
21 that that was too -- the wind was too strong and we should
22 have been able to cruise. So that decision, I believe, is
23 still pending, and there's a court hearing date set for a
24 determination of that. But this is not something just that
25 the Treasure Chest has; it's all of the riverboats in the

1 New Orleans area have experienced the same thing.

2 MR. VOWELS: You have a boat recently in
3 Missouri, is that correct; you just opened another one in
4 Missouri?

5 MR. BOUGHNER: Yes, sir.

6 MR. VOWELS: And how is that doing?

7 MR. BOUGHNER: It's doing very well.

8 MR. VOWELS: When did you open that?

9 MR. BOUGHNER: We opened that on the 13th of
10 September -- yes, that's correct -- at 6:00 p.m.

11 MR. THAR: May I bring up a different issue? We
12 obviously know what your plan is from both what you've
13 submitted and your presentation today. There's obviously
14 expectations from areas that surround the Hammond marina,
15 such as the Robertsdale section of Hammond and the Whiting
16 area, which is for all practical purposes, in my mind, the
17 same place. But Robertsdale is concerned about basically
18 the neighborhood and will it be impacted by the traffic?
19 I'd like to know first -- let's just start there. What
20 type of plans does Boyd have to minimize adverse impact
21 with regard to the Robertsdale portion of Hammond?

22 MR. BOUGHNER: Alex, would you please.

23 MR. MOORING: Alex Mooring. We actually concur
24 with the plan that was done for the Robertsdale area. We
25 met with the Robertsdale people. We met with the Whiting

1 Chamber and talked to them. We think that most of the
2 problem -- the major problem will disappear because the
3 property -- the access is going to be at 112th Street,
4 which is significantly west of that particular area. We
5 are also -- we talked to the Whiting people and talked
6 about using wheeled trolleys to run people down essentially
7 to the -- as Ms. Bochnowski mentioned, down to their
8 shopping area to have -- if you can, eliminate traffic for
9 that particular area and try to be sensitive to their
10 needs.

11 MR. THAR: That was going to be my next question
12 after I found out how you were going to handle the
13 neighborhood. Do you have any plans to integrate or offer
14 to your patrons the ability to go look at that shopping
15 area in Robertsdale and Whiting?

16 MR. MOORING: Yes, as we were in Lawrenceburg, we
17 plan to have a trolley system that would go back to those
18 areas.

19 MR. THAR: Is that it? I mean, that's a very
20 simple statement; you're going to have a trolley. Can you
21 develop that more or is that the present concept?

22 MR. MOORING: I think that's the present concept
23 right now, Mr. Thar.

24 MR. THAR: But it is a part of your overall plan,
25 so we could expect that there would be something done by

1 Boyd to try to at least make their patrons available and
2 aware of and help transport them to that shopping area?

3 MR. MOORING: That's correct; and that's in
4 conjunction with what the City of Hammond would like. I
5 mean, basically our plan is what the City plan is, which is
6 to bar access on Lake Avenue and Calumet Avenue so that the
7 only access to the project will be through the 112th Street
8 overpass, as well as emergency access down State Line. So
9 we're removing -- trying to remove the traffic to the west
10 of that particular area.

11 MR. KLINEMAN: Anything further?

12 MS. BOCHNOWSKI: Maybe I missed it. When did you
13 anticipate the permanent boat being here?

14 MR. BOUGHNER: If I may, just let me recap the
15 dates.

16 MS. BOCHNOWSKI: Yes, I'm just curious.

17 MR. BOUGHNER: The project will be open by New
18 Year's, 1996, a little over a year from now. It will open
19 with the interim boat as depicted in the photo to my left
20 (pointing), which will be certified for the lake.
21 Somewhere between April 1 and the middle of May of 1997,
22 less than six months later, that 13 -- rather 1,650
23 capacity boat, for 1,650 passengers, will be replaced by
24 the larger boat behind me (indicating), and that will occur
25 somewhere between April 1 and the middle of May of '97.

1 MS. BOCHNOWSKI: Thank you.

2 MR. MILCAREK: Who is Mary and who is Maryanne,
3 since you're naming both your boats after Mary?

4 MR. BOUGHNER: I think Bill would be the right
5 person to answer.

6 MR. BOYD: Maryanne was my mother -- Mary was my
7 mother, pardon me; and Maryanne is my daughter.

8 MR. MILCAREK: Thank you.

9 (Discussion was held off the
10 record among Commission.)

11 MR. KLINEMAN: Anything further anyone? I guess
12 we've come to the end of the line. I want to thank you,
13 Mr. Boyd and gentlemen, for a fine presentation, and we
14 appreciate your cooperation. And with that, we will recess
15 until tomorrow morning at 9:15 a.m., at which time we will
16 receive the Lake Michigan Charters presentation.

17 (The proceedings were
18 adjourned at 5:30 p.m.)

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STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Tuesday, October 17, 1995, at the Hammond Civic Center, 5825 Sohl Avenue, Hammond, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 17th day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99